

From: Joe Waters <jwaters@instituteforchildsuccess.org>
To:
Date: 3/11/2014 7:07:18 AM
Subject: ICS launches blog with post on Federal Pay for Success allocation

Dear Colleagues,

We are pleased to launch the Institute for Child Success blog with the post "Congress allocates up to \$14 Million in pilot funding for Pay For Success Programs" by our senior policy associate Bryan Boroughs. This post makes recommendations on how best to use this funding to accelerate the development of PFS across the United States, particularly for programs that impact young children and their families.

You can read the post below or by visiting www.instituteforchildsuccess.org/blog.php. We hope you will bookmark this site for future reading.

Please share on your networks and with your colleagues, and we welcome your feedback. Thank you for your interest.

Best,
Joe

Congress allocates up to \$14 Million in pilot funding for Pay For Success Programs<<http://instituteforchildsuccess.wordpress.com/2014/03/10/congress-allocates-up-to-14-million-in-pilot-funding-for-pay-for-success-programs/>>

<<http://instituteforchildsuccess.wordpress.com/2014/03/10/congress-allocates-up-to-14-million-in-pilot-funding-for-pay-for-success-programs/#respond>>

by Bryan Boroughs<<http://instituteforchildsuccess.wordpress.com/about/>>

Over the last year, i(cs) has been looking at Pay-For-Success (PFS) financing models for scaling up effective early-childhood programs while saving governments money. If you've been following our work in this area, you know that PFS is a relatively new financing model with growing momentum. That momentum continued to build when Congress allocated up to \$14 million this year to pilot PFS programs through the Social Innovation Fund.

The Social Innovation Fund has a relatively short time-frame to administer this program; it has to commit any funds for PFS development by September 30 of 2014. Despite this short timeline, this funding provides exciting opportunities to build capacity within sectors that are particularly promising for PFS like early childhood. These sectors will be able to develop much more quickly if they have short-term funding for feasibility studies, development work by intermediaries, and technical assistance for state and municipal governments. In short, this seed funding can lay the vital groundwork for PFS by building organizations' capacity and providing critical technical assistance.

The Social Innovation Fund recently posted its Notice of Funding Availability (available here – <http://1.usa.gov/1hBJcsg>). The notice details the areas in which the program will award funds, including three

priority issue areas: youth development, economic opportunity, and healthy futures. The notice itself does not deal with how the funds might be used in a Pay-For-Success context, which the administration briefly discussed in its related press release (available here – <http://1.usa.gov/1Il5Zc1>). That release notes: “Details on the goals and tactics of the [pay for success] pilot are under development.” We suspect those details will take some work to flesh out, and we will keep you posted as CNCS publishes more information. There are also several PFS provisions in the President’s proposed budget for next year (Oct. 1, 2014 – Sept. 30, 2015), and we’ll be detailing those provision soon.

For those of you who are federal budget or policy wonks:

The \$14 million was allocated in the consolidated appropriations act for FY14, PL 113-76, available here: <http://1.usa.gov/1pUxcpz>. From that link, the language is on page 397, or under Title IV of Division H of the act:

“For necessary expenses for the Corporation for National and Community Service (referred to in this title as “CNCS”) to carry out the Domestic Volunteer Service Act of 1973 ... and the National and Community Service Act of 1990 (referred to in this title as “1990 act”) ... (2) \$70,000,000 shall be available for expenses authorized under section 501(a)(4)(E) of the 1990 Act ... Provided further, That not to exceed 20 percent of funds made available under section 501(a)(4)(E) of the 1990 Act, may be used for Social Innovation Funds Pilot Program-related performance-based awards for Pay for Success projects: Provided further, That, with respect to the previous proviso, any funds obligated for such projects shall remain available for disbursement until expended, notwithstanding 31 U.S.C. 1552(a), and that any funds deobligated from such projects shall immediately be available for activities authorized under 198K of such Act.” (emphasis in original)

Breaking down the language a bit:

The Social Innovation Fund, part of the Corporation for National Community Service (Sec. 501(a)(4)(E) of the 1990 Act), received an additional \$70 million for FY14, and up to 20 percent of that appropriation (or \$14 million) can be used for PFS.

Federal appropriations typically have to be “obligated” by September 30 of the same year. For our purposes, that means that any capacity building grants would be assigned by then, and any contracts signed, but it does not mean that the funds have to be disbursed.

Normally, federally appropriated dollars also have to be disbursed within 5-years of when they are appropriated (under 31 U.S.C 1552(a)). In the event that some of this funding is used for a complete PFS deal (perhaps as repayment to an investor), those contracts might have a longer pay-off window. The act’s language handles this possibility by exempting the \$14M from 31 U.S.C. 1552(a).

Finally, in the event that a PFS contract is agreed to, but the outcomes are not met and the government does not have to pay, the funds go back to the Social Innovation Fund (its activities are authorized under Sec 198K of the 1990 Act). Without that provision, funds would have been returned to the Treasury if they were “deobligated” in a later year.

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