

# **The Social Impact Bond Act**

*To encourage and support partnerships between the public and private sectors to improve our nation's social programs and for other purposes*

Too often, we've seen government programs that fail the constituencies they are intended to serve. Unfortunately, discussions around improving these programs tend to revolve around funding levels, rather than focusing on how we can better serve our fellow Americans. Representative Todd Young's Social Impact Bond legislation would expand and improve meaningful social interventions, while driving taxpayer savings.

## **Helping People in Need (Sections 2051, 2052)**

- The purpose of this bill is to improve the lives of those in need by funding social programs that work, to ensure money is spent in ways that benefit both service recipients and taxpayers, and to help the US improve the effectiveness of social programs.
- To apply to receive funding for a Social Impact Bond project, a State or local government would have to identify a social problem they hope to address. This might be helping the unemployed find work, working to improving high school graduation rates, increasing efforts to reduce child abuse, or addressing another social problem that would produce both positive social outcomes as well as federal savings. States or local governments would then have to submit a Social Impact Bond feasibility study to the Department of the Treasury for consideration.

## **Funding Projects That Work (Section 2053)**

- The Department of the Treasury, in consultation with the newly-formed Federal Interagency Council on Social Impact Bonds ("Council") and the head of any federal agency administering a similar program or serving a similar population, would have to consider certain criteria before awarding a Social Impact Bond contract to a State or local government, such as the value of the outcome to the federal government and the likelihood that the project will produce those outcomes. Treasury would only pay the State or local government if the independent evaluator determines that the project has achieved the outcomes agreed to before the project began.

## **Helping States and Local Governments Implement Social Impact Bond Projects (Section 2054)**

- States and local governments would be able to apply for funding from Treasury to assist in developing their feasibility study. To apply for this federal funding, the State or local government would be required to submit an application detailing their plans for a Social Impact Bond project.
- However, before awarding a contract, Treasury, the Council, and the head of any federal agency administering a similar program or serving a similar population would need to consider certain criteria, including the chances of the project succeeding and its projected costs and savings.
- Treasury could provide only up to 50 percent of the estimated total cost of the feasibility study, and could not spend more than \$10,000,000 to support states in their development of Social Impact Bond feasibility studies.

## **Evaluating Projects to Ensure Success (Section 2055)**

- In order to evaluate these projects, the relevant federal agency, as determined by the Council, would be required to contract with the State or local government to pay for the independent evaluation. Evaluators would determine whether a State or local project has fulfilled their requirements and met the outcomes necessary for the state or local government to receive payment.
- The evaluator would be independent of the parties and would have demonstrated substantial experience in conducting rigorous experimental evaluations of program effectiveness before being selected.
- Social Impact Bond evaluations would be conducted employing experimental designs using random assignment or other research methodologies that allow for the strongest evidence of effectiveness possible.
- The evaluator would be required to complete a progress report detailing the progress that has been made in achieving the outcomes, as well as produce a final report that includes the results of the evaluation and whether the State or local government has met the requirements for payment.
- Treasury would not be allowed to spend more than 15 percent of the fund to evaluate the implementation and outcomes of projects.

#### **Coordinating Federal Efforts to Avoid Duplication (*Section 2056*)**

- The Federal Interagency Council on Social Impact Bonds would be established to coordinate the efforts of Social Impact Bond projects and advise and assist the Treasury and other agencies in the development and implementation of Social Impact Bond projects.
- The Council would be composed of one designee from 10 agencies or departments, including the Department of Health and Human Services and the Office of Management and Budget, and would be chaired by a member of the Office of White House Policy (National Economic Council or the Domestic Policy Council).

#### **Funding (*Section 2057*)**

- \$300M would be provided through a one-time mandatory appropriation.
- Funding would be used to pay for the positive outcomes of Social Impact Bond projects, to fund feasibility studies and to pay for evaluations of Social Impact Bond projects.
- Treasury would be allowed to spend up to \$1,000,000 each year for federal technical assistance in the development or support of Social Impact Bond projects.

#### **Ensuring Project Transparency (*Section 2058*)**

- The Federal Interagency Council on Social Impact Bonds would be required to establish and maintain a public website that will display important information regarding the contracts, evaluations and the estimates of savings.

#### **Leveraging Local Investment (*Section 2059*)**

- Treasury would permit a bank's investment in Social Impact Bond projects to be considered as part of the bank's requirement under the Community Reinvestment Act (CRA) to help meet the credit needs in their communities.

#### **Regulations (*Section 2060*)**

- Treasury, in consultation with the Federal Interagency Council on Social Impact Bonds,

would be permitted to issue regulations as necessary to ensure the successful implementation of the Social Impact Bond Act.

**Sunset (*Section 2053 (C) (3)*)**

- Treasury may only enter into Social Impact Bond contracts for 10 years after the law is enacted.
- Federal technical assistance funding will continue to be available until all projects are completed.