FOCUSING ON RESULTS: HOW NONPROFITS ARE USING DATA TO IMPROVE THEIR COMMUNITIES

APRIL 25, 2019

SREB GO Alliance 2019 Annual Meeting
Social Finance, Inc. is a nonprofit organization dedicated to mobilizing capital to drive social progress.

**Our History**
- Founded in January 2011 by David Blood, Sir Ronald Cohen, and Tracy Palandjian
- One of the first dedicated Pay for Success intermediaries in the country

**Our Global Network**
- Social Finance UK, was founded in 2007 and launched the world’s first Social Impact Bond in 2010
- We partner with Social Finance UK, India, Israel and the Netherlands in the world’s only Global PFS Network

**Our Team**
- Team of 50 includes experienced professionals from the public, private, and nonprofit sectors
- Offices in Boston, MA, Austin, TX, and San Francisco, CA and full-time staff presence in Washington, DC and Salt Lake City, UT
CORE PRINCIPLES OF PAY FOR SUCCESS

Using data and evidence intelligently is core to Pay for Success and to moving the needle on our most complex social problems.

Social impact goals are clearly defined at the outset, and progress toward them is rigorously measured.

Partners across the public, private, and social sectors collaborate around shared social impact goals.

Robust governance and the injection of private capital ensure accountability and discipline, with payment directly dependent on outcomes achieved.
CROSS-SECTOR PARTNERSHIPS, GROUNDED IN DATA AND EVIDENCE, ARE CRITICAL TO ADDRESSING OUR MOST COMPLEX SOCIAL PROBLEMS
THE GROWING MOVEMENT AROUND OUTCOMES

A multitude of forces—within the philanthropic, social, and public sectors—have shaped the growing focus on outcomes.

- **1990s**: Venture philanthropy introduced
- **2001**: Great Recession begins; “impact investing” term coined
- **2007**: Coalition for Evidence-Based Policy launched
- **2009**: Social Impact Exchange, Social Innovation Fund started
- **2012**: First US Pay for Success project launched
- **2013**: Evidence-Based Policymaking Commission Act passed
- **2016**: Campaign to end Overhead Myth launched
- **2017**: Charity Navigator, Guidestar publish nonprofit impact data
- **2018**: Social Impact Partnerships to Pay for Results Act passed
ADAPTING TO THE OUTCOMES MOVEMENT: THE NONPROFIT SECTOR

Social Finance conducted a survey of 39 Neighborhood Builders, a diverse set of nonprofit providers serving different populations across the country.

- **53%** have 3+ years of outcome data.
- **32%** collect programmatic data.
- **12%** have performed an external impact evaluation of their program, though 38% recognized that evaluations could be found on similar programs.
DEEP DIVE: COLLEGE POSSIBLE (1/2)

Making college admission and success possible for low-income students

Snapshot

**Mission:** To help low-income youth prepare for and earn admission to college and graduate

**Founded:** 2000

**Annual Budget:** $20 million

**People Served Annually:** 30,000

Organization

College Possible is a nonprofit AmeriCorps organization that helps prepare low-income youth for college admission and persistence in the United States through an intensive curriculum of coaching and support.

Data

“College Possible has truly been data-driven from day one.”

*Jeffrey Knudsen, Director of Data Analytics & Evaluation*

- Incorporates **data expectations** into job descriptions, employees hold each other accountable
- Collects **meaningful, actionable data** so that all employees recognize its value for their work
- Invested in platform, CoPilot, that **reduces data entry burdens** and fits seamlessly with operations
**DEEP DIVE: COLLEGE POSSIBLE (2/2)**

Strong evidence base with positive results demonstrated in a randomized controlled trial

### Evidence-based programming

- **Near-peer coaching:** Powered by AmeriCorps and VISTA members who serve as near-peer coaches to high school or college students
- **Research-based curriculum** includes topics such as finding a best-fit college, academic preparation, financial planning, personal development
- **Peer support network:** Build a community of support among our students to serve as an additional source of encouragement
- **Commitment to college success:** The goal of a college degree

### Evidence base

- **Randomized controlled trial** (2010-2013), Harvard Kennedy School
- Numerous reports on historical analyses and programmatic data
- Annual impact report

### Results

- Increased applications and enrollment to four-year colleges and selective four-year colleges; initial enrollment at four-year colleges increased by more than 15 percentage points
- Little evidence of effect on ACT performance or college enrollment overall
OUTCOMES-BASED CONTRACTING IN FEDERAL FUNDING

The Bipartisan Budget Act of 2018 included numerous pieces of legislation which emphasize evidence-based interventions, including:

<table>
<thead>
<tr>
<th>Family First Prevention Service Act (IV-E)</th>
<th>Maternal, Infant, and Early Childhood Home Visiting (MIECHV)</th>
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<tr>
<td>▪ Sweeping reforms to Federal funding and support for child welfare services</td>
<td>▪ Reauthorized through 2022</td>
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<tr>
<td>▪ Shifts funding to evidence-based preventative and family support services</td>
<td>▪ Authorizes Pay for Success contracts for up to 25% of MIECHV funds</td>
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Social Impact Partnerships to Pay for Results Act (Results Act)

The Results Act appropriates $100 million to the U.S. Department of the Treasury to support the launch of state and local Pay for Success initiatives. The Results Act creates an opportunity for state and local governments to leverage federal resources to tangibly advance policy initiatives while building a foundation for outcomes-based decision making.

Results Act funding can be used across the spectrum of Pay for Success project development to improve twenty priority outcomes, including those in the following issue areas: child welfare, family stability, homelessness, education, health, employment, recidivism, and veterans.
The majority of states with OBF policies have low contingencies associated with the funds, or apply the funds as a bonus on top of base appropriations.

**Outcomes-Based Funding in Two-Year Sector as % of Overall State Institutional Support (FY 2016)**

Four states stand out for the percentage of state funding tied to outcomes and the focus on meaningful outcomes.

**SOURCE:** Martha Snyder and Brian Fox, HCM Strategists, “Driving Better Outcomes: Fiscal Year 2016 State Status & Typology Update”

*Course completion only; no other measures such as degree completion are included*
EXAMPLE: OHIO’S STATE SHARE OF INSTRUCTION IMPACTS THE COST-BENEFIT OF SCALING COLLEGE COMPLETION PROGRAMS (2/2)

Lorain County Community College (LCCC) estimated that the Students Accelerating in Learning (SAIL) program generates value that exceeds program costs but that value is dispersed among parties.

<table>
<thead>
<tr>
<th>LCCC Revenues, Gov’t Benefits, and Economic Value of SAIL</th>
<th>CBA Methodology &amp; Sequence</th>
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<tbody>
<tr>
<td>The value to LCCC through increased SSI allocation and additional Pell Grant funds</td>
<td></td>
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<tr>
<td>The value to State and Federal government through decreased healthcare, criminal justice, and welfare utilization and increased tax revenue</td>
<td></td>
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<tr>
<td>The value to students and the community through increased earnings and local economic activity</td>
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OVERVIEW OF PAY FOR SUCCESS STRATEGIES

Pay for Success is a set of principles and tools that governments can use to effectively contract with providers and bridge service delivery gaps.

**Focus on defined outcomes**

**Use data to inform decisions**

**Tie payment to performance**

**Apply strong measurement**

<table>
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<tr>
<th>Reallocation of Existing Funding</th>
<th>Outcomes-Based Contract</th>
<th>Outcomes Rate Card</th>
<th>Prevention Fund</th>
<th>Social Impact Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payor updates existing contracts to procure outcomes</td>
<td>Payor contracts for outcomes, metrics, and pricing</td>
<td>Payor pre-specifies outcomes, metrics, and pricing (fully or partially contingent on outcomes)</td>
<td>Philanthropic funders provide working capital with no repayment</td>
<td>Private funders provide working capital at full cost of services</td>
</tr>
</tbody>
</table>
FOCUSING ON RESULTS:
How Nonprofits Are Using Data to Improve Their Communities

November 2018
WHAT WE DO
Social Finance Services

ASSESS
- Identify challenges that drive poor social outcomes and cost governments, individuals, and communities
- Conduct target population data analysis
- Estimate cost-benefit analyses for potential evidence-based solutions

DESIGN
- Define policy-relevant outcomes and metrics
- Align measurement approach with project goals
- Develop implementation plans based on operational inputs
- Develop data systems to measure impact

FUND
- Perform due diligence and select service providers
- Develop contracts linking payment with measurable outcomes
- Raise capital via funders and impact investors where necessary

MEASURE
- Co-develop measurement plan with service providers, evaluators, and government
- Work with evaluators to execute measurement plan

ADAPT
- Distill insights from ongoing project data
- Facilitate discussions re: learnings with project partners
- Take action with project partners to improve results
- Repeat!

ENGAGE
- Engage and convene providers, philanthropy, civic leaders, government and community members to address the challenge
- Facilitate ongoing stakeholder engagement throughout project
26 PAY FOR SUCCESS DEALS HAVE REACHED THE MARKET TO DATE
…and more are on the way

Children & Families
- Salt Lake Cty
- Chicago
- Cuyahoga Cty
- Connecticut
- Jefferson Cty
- Colorado
- Denver Cty
- Oklahoma

Criminal Justice
- New York City
- Massachusetts
- New York State
- Salt Lake Cty
- Oklahoma
- Alameda Cty
- Ventura Cty

Health
- South Carolina
- Michigan
- Delaware

Homelessness
- Massachusetts
- Santa Clara Cty
- Denver
- Salt Lake Cty
- LA Cty

Sustainability & Resiliency
- Washington, DC

Workforce Development
- Massachusetts
- New York

Photographs courtesy of Center for Employment Opportunities, Chicago Public Schools, FrontLine Services, and NFP.
THE PAY FOR SUCCESS LANDSCAPE IS EVOLVING QUICKLY

- Taken steps to explore PFS*
- Launched PFS project

* States are shaded where a state or local government has taken at least one of the following steps to explore PFS: introduced legislation, initiated procurement, commissioned a feasibility study, or entered into project development.
WHAT IS A SOCIAL IMPACT BOND?

Social Impact Bonds leverage private capital to drive government resources towards outcomes, measurably improving the lives of people most in need.
## WHEN IS PAY FOR SUCCESS USEFUL?

### Important challenges faced by communities

<table>
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<tr>
<th>Solutions have:</th>
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<tr>
<td><strong>Defined Target Population</strong></td>
<td>Underserved, large-scale population, with adequate demand for intervention</td>
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<tr>
<td><strong>Measureable Impact Goals</strong></td>
<td>Clear set of outcomes that intervention seeks to improve for target population</td>
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<tr>
<td><strong>Intervention that Works</strong></td>
<td>Track record of evidence that intervention reliably demonstrates performance against impact goals</td>
</tr>
<tr>
<td><strong>Capable Service Provider(s)</strong></td>
<td>Provider(s) with capacity to deliver intervention at scale and with high quality</td>
</tr>
<tr>
<td><strong>Positive Value to Society</strong></td>
<td>Achieving intended impact brings clear societal benefit (social, community, economic) in reasonable timeframe</td>
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<tr>
<td><strong>Community / Payor Engagement</strong></td>
<td>Intended impact attracts support from local stakeholders and jurisdictions</td>
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