



SLCo PFS 1, Inc.



sorenson impact center
investing • policy • innovation



Third Sector
capital partners

SALT LAKE COUNTY PAY FOR SUCCESS INITIATIVE FREQUENTLY ASKED QUESTIONS

Project Overview

Why did Salt Lake County decide to pursue PFS?

Pay for Success projects are a way for the government to experiment with innovative solutions to challenging social problems. Salt Lake County led the development of the PFS initiative from July 2014 - December 2016. The County pursued PFS contracting to achieve the following objectives:

- *Better allocate public resources.* With PFS, the County can use private funding to enable innovation and improvement in social services while maintaining prudent stewardship of taxpayer dollars.
- *Implement performance-based contracting.* PFS contracting includes assessing a program's impact using independent, rigorous evaluation, using data more effectively to identify the risks and needs of residents using Salt Lake County services, and discontinuing programs that do not work.
- *Build capacity in the local community.* PFS challenges local nonprofit service providers to build their capacity to manage to outcomes, build multiyear budgets driven by changing service needs, and be held to a high level of accountability. Participating in the PFS project development process builds capacity for our critical, cornerstone nonprofit providers so that they can deliver services more effectively and ensure the achievement of their missions.
- *Change the way the County approaches housing and jail:* The two PFS programs will shift resources where they are needed and can have the biggest impact. If successful, the County will minimize the use of jail as a shelter, and the use emergency shelter as permanent housing.
- *Cross-sector collaboration.* Through unique partnerships innovative ideas are identified and implemented with multi-sector support. Cross-sector collaboration allows for the diverse group of stakeholders to collectively work to solve challenges in the community and create systems change with a broader base of engaged supporters.

Why did the County pursue PFS projects in the areas of homelessness and criminal justice?

The PFS projects address two complex, related issues with a profound, negative impact on our community. The County's decision to focus on homelessness and criminal justice was a result of an extensive feasibility analysis including stakeholder outreach, a needs assessment, and availability of comprehensive interventions. The projects will serve over 500 underserved, vulnerable individuals.

- The Criminal Justice PFS Project will, for the first time in Salt Lake County, provide comprehensive community-based treatment to reduce recidivism targeting a high-risk, high-need population. Analysis indicates that 74% of high-risk offenders in the County return to the criminal justice system within four years of their release and spend on average around one year incarcerated during that time. Incarceration is a costly solution and the Salt Lake County jail already operates at full capacity.
- The Homelessness PFS Project will serve persistently homeless individuals who reside in the County – those not yet considered 'chronically homeless.' Analysis has shown that 43% of this population became chronically homeless within two years. Funding for this population is currently limited, only 19% of the persistently homeless population can be served through current programs.

How were First Step House and The Road Home chosen as providers?

In April and August 2015, the County issued separate RFPs for service providers to submit innovative proposals to address the needs of high-risk, high-need offenders and homeless individuals. The responses were evaluated by an independent committee. First Step House was chosen as the provider for the Criminal Justice Project and The Road Home was chosen as the provider for the Homelessness Project.

Project Implementation

Who is being served by the Criminal Justice REACH program?

The Criminal Justice Project will serve 228 high-risk individuals who have finished serving sentenced jail time, have moderate to severe substance use disorders (SUD), and are being supervised by Adult Probation and Parole (AP&P). Project analysis indicates that 74% of high-risk offenders in Salt Lake County return to the criminal justice system within four years of their release and spend on average a year incarcerated during that time.

Who is being served by the Homes Not Jail Homelessness project?

The Homes Not Jail program will serve 315 individuals over the age of thirty who have spent between 90 and 364 days in emergency shelters, on the streets, or otherwise homeless, and who do not qualify for many of the supportive services currently available in the County. Historical analysis has shown that 43% of this population became chronically homeless within two years and nearly half of these individuals are booked into the County jail.

How is the Homes Not Jail PFS Project related to the Collective Impact on Homelessness?

The Homes Not Jail program is an integral part of the County's Collective Impact on Homelessness action plan. By providing Rapid Rehousing rental assistance and intensive wrap-around services, the PFS project will help individuals move from shelter into a stable housing environment.

Pay for Success

What is Pay for Success?

Pay for Success (PFS) is an innovative contracting model that drives government resources toward social programs that prove effective at providing positive results to the people who need them most. PFS tracks the effectiveness of programs over time and requires governments to pay for those services only if and when they succeed in measurably improving the lives of people most in need.

PFS also enables governments to tap private funds to cover the upfront costs of the programs. If the program is successful in improving the lives of the people it is meant to serve, then government repays those who provided the original funds. If, and only if, the program exceeds the pre-determined outcomes, the government pays a small return. If the program does not achieve its target results, the government does not fully repay those who provided the original funding. This model ensures that taxpayer dollars are being spent only on programs that actually work.

How does the government benefit from PFS?

Across the country, local, state and federal government agencies provide funding to service providers, such as local nonprofits and charities that implement programming to help people in need. Governments at all levels face tough budget constraints, and as a result, governments are forced to make difficult allocation decisions, often without the benefit of a clear understanding of which programs are most effective.

PFS gives governments the ability to support high-impact service providers, drive new resources toward effective programs, and track outcomes for individuals and communities, without risking taxpayer dollars if those programs do not deliver measureable results. Through PFS, governments can deliver better services to people in need at a large scale, without further straining their budgets or putting taxpayer money at risk.

How will the project be funded?

The initiative brings together a partnership of private funders and philanthropic organizations to provide the upfront funding through loans, program-related investments and philanthropic grants. By utilizing this new model of upfront funding, the County is able to support social programs without risking taxpayer dollars if the programs do not deliver results. The County will only repay funders based on rigorously evaluated outcomes of individuals served by the initiative.

Why are private funders interested in funding this project?

More than ever, funders are seeking innovative opportunities to put their money to work in ways that are proven to help people in need. Private funders have limited opportunities to support projects that both measurably improve lives and offer the potential to recoup their funds for future use. PFS offers funders the opportunity for this kind of win-win situation. With this new model, funders have the opportunity to support interventions that improve lives in their communities and will know the outcomes of the programs they are funding.

Combined, funders of PFS programs leverage significant resources for service providers to track outcomes over a longer period of time and demonstrate a meaningful impact for individuals and communities. If, and only if, the programs exceed the pre-determined outcomes, the lenders, service providers, and project manager will receive success fees, allowing the lenders to receive a financial return in addition to supporting positive social benefits.

Evaluation

How will success be determined in the project?

The Utah Criminal Justice Center (UCJC), based at the University of Utah, will rigorously evaluate the long-term effectiveness of both programs using a randomized control trial (RCT) methodology to determine whether agreed-upon success metrics have been met. This type of evaluation has never before been used to measure the impact of providing services to these populations in Utah.

The Criminal Justice Project will measure success metrics including a reduction in the number of days incarcerated compared to a control group, the number of arrests over four years compared to a control group, improvement in quarters of employment compared to a control group, and successful program engagement measured by service hours provided to participants.

The Homelessness Project will measure success metrics including an increase in months without use of emergency shelter or in jail over two years compared to a control group, improvement in behavioral health service enrollment compared to a control group, and graduation from the program to permanent housing locations.

What happens to individuals who are not randomized into the initiative? Will they be denied services?

Individuals not randomized into the treatment group will continue to receive the traditional services available in Salt Lake County. Taking part in this study will not reduce or negatively impact an individual's access to the services they would receive under normal circumstances.

Service Providers

First Step House was founded in 1958 by members of Alcoholics Anonymous with a focus on rehabilitating those struggling with alcohol abuse. Since then the organization has grown into a specialized substance abuse treatment center with a mission to help people build lives of meaning, purpose, and recovery. First Step House operates three treatment facilities throughout the Salt Lake metro area, employing a team of 72 professionals. Through an unyielding commitment to the individuals and families they serve, First Step House has increased treatment and transitional housing capacity over the last decade, while also enhancing quality assurance and clinical management to ensure that services are being delivered with fidelity to deliver meaningful impact.

The Road Home was founded in 1928 with the mission of helping people step out of homelessness and back into the community. In 2015, The Road Home served over 1,000 individuals through its housing programs and over 7,000 through its emergency shelter. In addition to shelter services, The Road Home serves as the Central Housing Agency that leads the Community Triage Group, a group of local providers that triage and refer the most vulnerable individuals to supportive housing. In addition to managing permanent supportive housing programs including a 201-unit apartment complex, The Road Home has implemented three rapid rehousing programs and manages over \$3.2 million in direct rental assistance payments.

Community Partners

Utah Adult Probation and Parole (AP&P) will be the sole source of referrals for Criminal Justice Project. AP&P is a division of the Utah Department of Corrections committed to helping offenders become productive members of the community. In addition to providing referrals, AP&P will collaborate with First Step House throughout service delivery to ensure individuals receive a holistic, coordinated treatment plan.

Salt Lake County Sheriff's Office will collaborate with AP&P and First Step House to coordinate jail release timing and enrollment into the Criminal Justice Project. The Sheriff's Office operates two correctional facilities; the Salt Lake County Metro Jail and the Oxbow Jail Facility. Both jails are highly efficient, designed to operate at low costs with an abundance of programs that minimize overcrowding issues while creating an approach that reduces recidivism.

Utah Homelessness Management Information Systems (HMIS) will be the sole source of referrals for the Homelessness Project. HMIS is a software application designed to record and store client-level information on the characteristics and service needs of homeless persons.

Volunteers of America will serve as the lead clinical services partner for the Homelessness project. VOA has operated human service programs in Salt Lake County for 28 years, including two adult detoxification centers, mental health counseling, services to homeless individuals, case management and housing coordination.

Government Payer

Salt Lake County will make success payments based on rigorously evaluated success metrics. Under the leadership of Mayor Ben McAdams, Salt Lake County is a nationwide leader in government innovation, including Pay for Success programs. The County's support in 2013 of the Utah Pre-Kindergarten Pay for Success partnership was the second PFS project in the country and resulted in nationwide recognition. Following that partnership, the Salt Lake County Mayor's Office has led the development of the PFS Initiative since July 2014, in close collaboration with the Salt Lake County Council and with the support of a number of State agencies

Independent Evaluator

The University of Utah's Utah Criminal Justice Center (UCJC) will serve as the evaluator for both the criminal justice and homelessness projects. UCJC is an interdisciplinary research center at the University of Utah and recognized as one of the premiere criminal justice research centers nationally. UCJC has longstanding relationships with courts, corrections, and non-profit agencies in the community that provides unprecedented access to data to perform highly rigorous research. UCJC will be responsible for implementing a six-year randomized control trial, to track whether the interventions implemented by First Step House and The Road Home produced meaningful outcomes to the individuals served.

Project Manager

Sorenson Impact Center will serve as the project manager for the PFS Initiative. The Sorenson Impact Center is an applied academic institution at the University of Utah's David Eccles School of Business that focuses on social impact and innovation. Among other things, the Center works with public, nonprofit, and private sector stakeholders to develop and implement innovative and data-driven approaches to difficult social and public health problems. The Center is widely recognized as one of the preeminent centers of excellence in the country working to design, develop, and implement high-quality PFS projects across a variety of jurisdictions and issue areas.

Financial Intermediary

SLCo PFS 1 Inc. is a special purpose vehicle organized by the Community Foundation of Utah solely for the purpose of this Pay for Success Project. Its mission is to promote certain Pay for Success programs within the community which assist the underprivileged including without limitation prisoners, women and children, and the homeless.

Legal Advisors

Dorsey & Whitney LLP is an international firm with more than 550 lawyers in the U.S., Canada, Europe and Asia. Dorsey has represented parties in multiple PFS projects throughout the U.S. and brings significant nonprofit and transactional experience to PFS transactions. Since February of 2015, Dorsey has provided legal representation on the Salt Lake County PFS transaction and has made a significant pro bono commitment to the project.

Government Advisor and Transaction Coordinator

Third Sector Capital Partners, Inc. is a 501(c)(3) nonprofit that leads governments, high-performing nonprofits, and private funders in building collaborative, evidence-based initiatives that address society's most persistent challenges. As experts in innovative public-private financing strategies, Third Sector is an architect and builder of the nation's most promising PFS projects including those in the Commonwealth of Massachusetts, Cuyahoga County, Ohio, and Santa Clara County, California. These projects are rewriting the book on how governments contract social services and how communities measurably improve the lives of people most in need. Since 2014, Third Sector has led the County's exploration of PFS, advised on the implementation and ramp-up design, coordinated contract construction and helped secure upfront funding.