



THE  
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# Funding in a PFS Project: All-Cohort Webinar

PFS in Higher Education Cohort & Provider Advisory Group

October 30, 2019

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## Purpose

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- To begin to understand monetary sources in PFS projects and how finances affect project development
- To share examples from previously launched PFS projects to illustrate possible financial flows
- To preview the Term Sheet tool used as a business agreement to set the terms of the parties' agreement

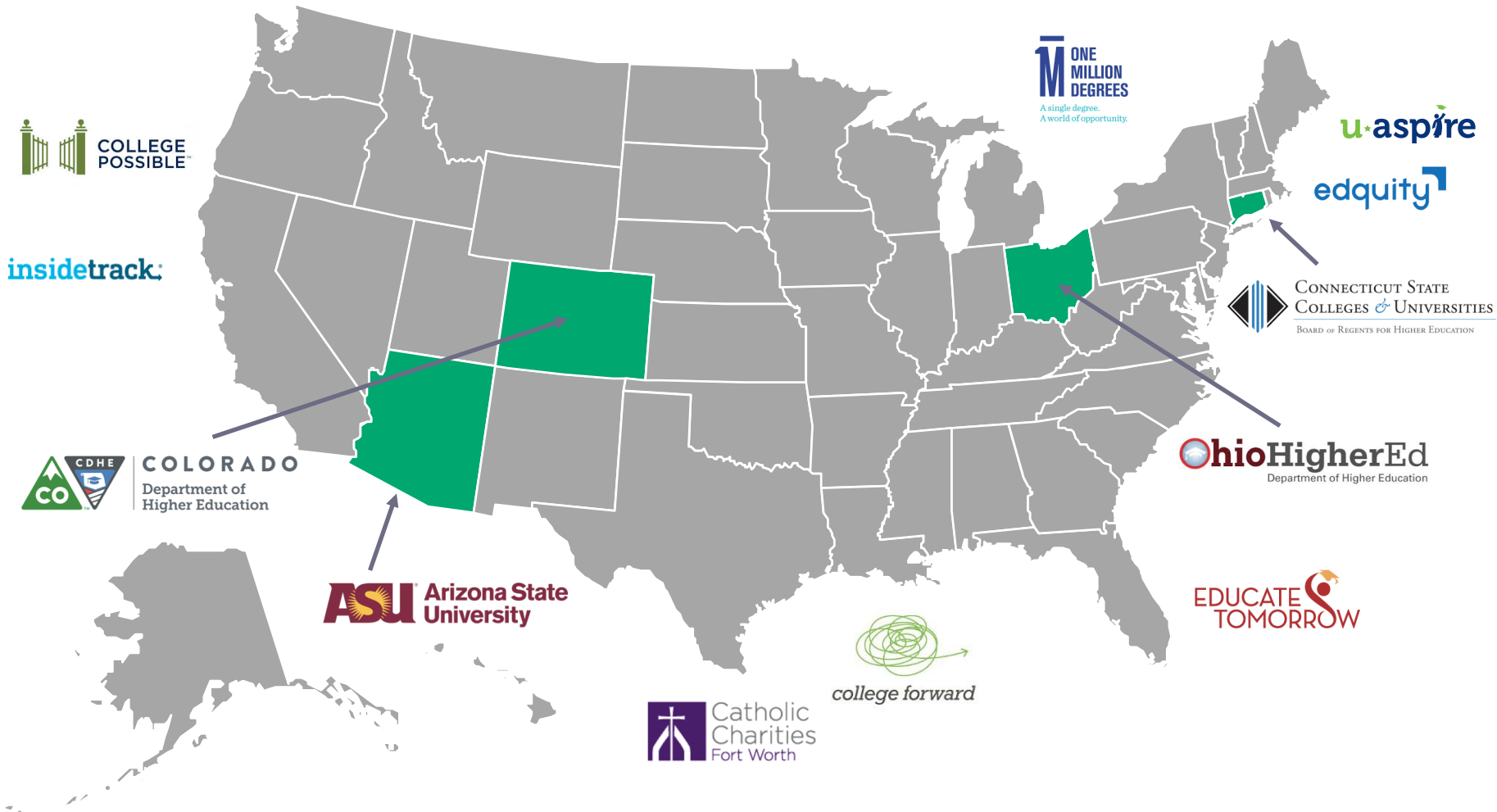
# Agenda

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<b><i>Introduction &amp; Welcome</i></b>	<b><i>5 Minutes</i></b>
Financing in PFS Projects	5 Minutes
Examples from PFS Projects	20 Minutes
Using a Term Sheet	10 Minutes
Q&A	15 Minutes
Closing & Next Steps	5 Minutes

Through the end of this year, Third Sector looks forward to learning more about PFS's application in higher education with partners across the U.S.

PFS in Higher Education Cohort & Provider Advisory Group





# To quickly align, state and system cohort sites have been exploring PFS by anchoring discussions and decisions in a project hypothesis statement

## Project "Hypothesis"

Each of the four cohort sites have been customizing the hypothesis statement below (e.g. Project Vision) to their unique context, in which decisions made serve as critical inputs to PFS tools and resources.

### Initial PFS in Higher Education Vision by Third Sector

Green (finalized), yellow (pending), or red (to be determined)

State Departments and/or systems/networks of Higher Education can partner with college access and success providers who deliver student support services for x # college-intending low-income, first-generation students of color in order to increase enrollment, persistence, and graduation outcomes.

States/systems may directly procure services from providers. In order to demonstrate outcomes, access to administrative enrollment data is needed. Outcomes are measured over 2 years after services end using a pre- and post-evaluation.

Project costs are \$XXK, and state/systems of Higher Education will pay a maximum of \$XXK in payments for xyz metrics.

# State and system cohort sites have been exploring PFS feasibility areas through a series of working group meetings and takeaway exercises

## PFS Feasibility Components and Sample Questions by Workstream

Stakeholder Engagement



### Student Population

- What are the characteristics of the student population?
- What is the size of public higher education in the state?
- Are there disparate enrollment, persistence, and graduation outcomes?



### Student Support Services

- What kinds of student support services are offered to college-intending student populations?
- Does the state currently contract with external student support services?



### Outcomes and Evaluation

- What metrics for student success does the state prioritize?
- How are these metrics measured?



### Data Access

- What is the existing relationship of data sharing between HEIs and the state?
- How is data currently collected and is it accurate? What are the gaps?



### Economics and Financing

- How has state funding for higher education shifted over the past several years?
- What is the performance-based funding formula and how is it calculated?
- When is funding appropriated in the state?



### Policy Support

- What is the history of support and progress toward performance-based policies?
- What are existing state priorities in higher education?

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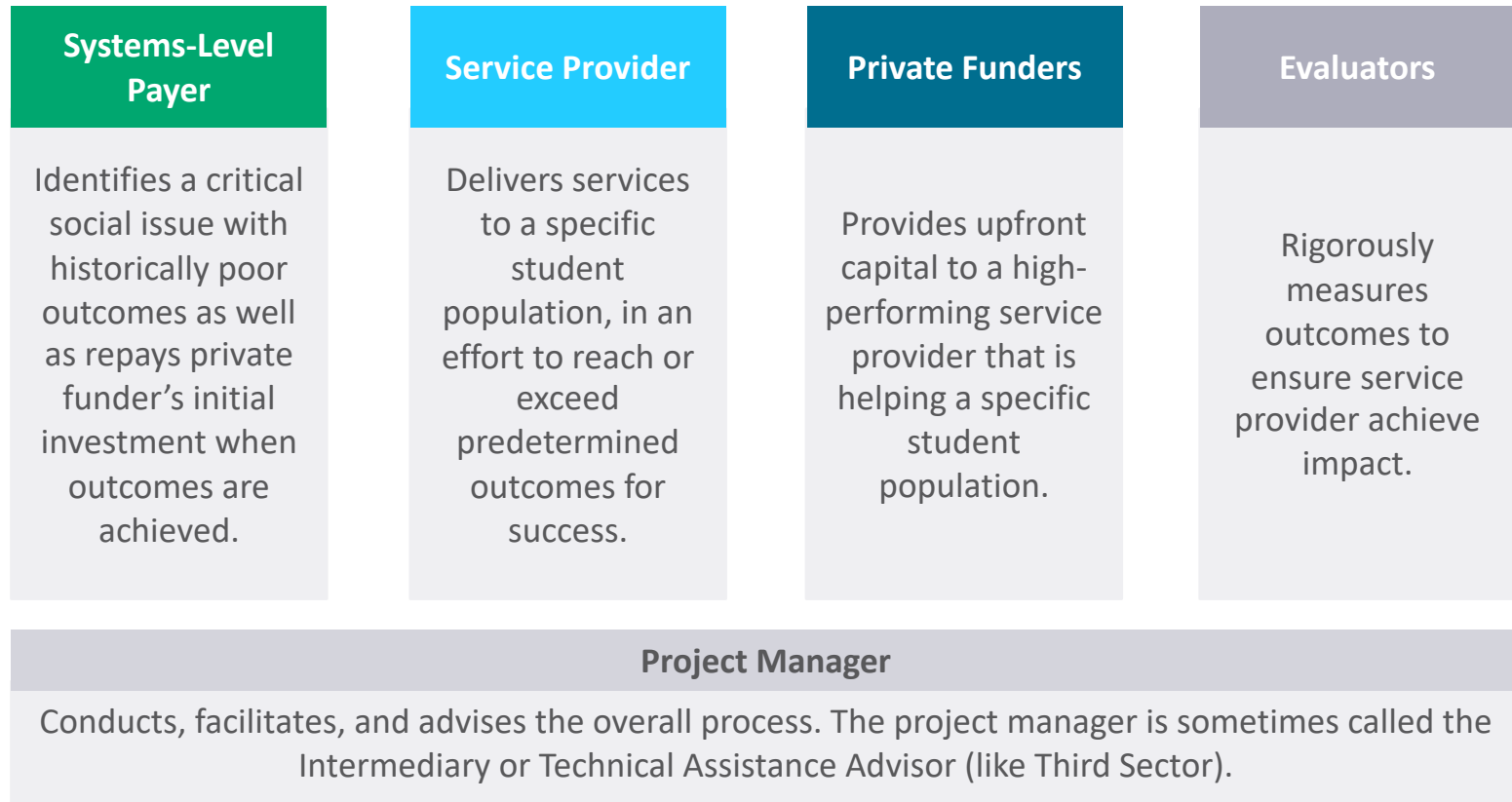
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# Pay for Success is one tool that can catalyze the development of outcomes-based contracting and link public funding to outcomes

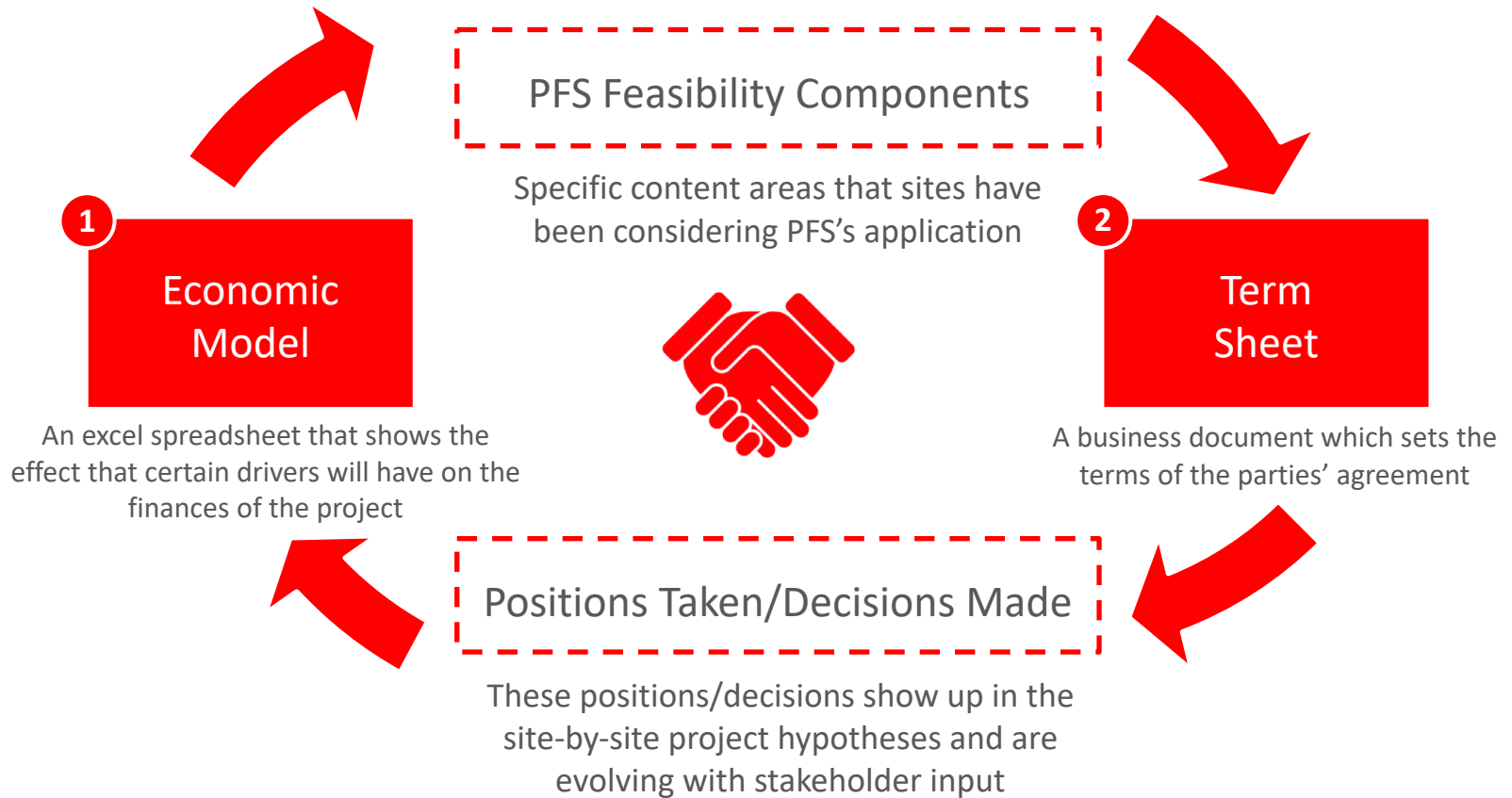
**Pay for Success** is a form of **outcomes-based contracting** where an entity (*often a government*) agrees to **pay for outcomes achieved** (*rather than on a fee for service basis*)

## Stakeholders in a PFS Contract



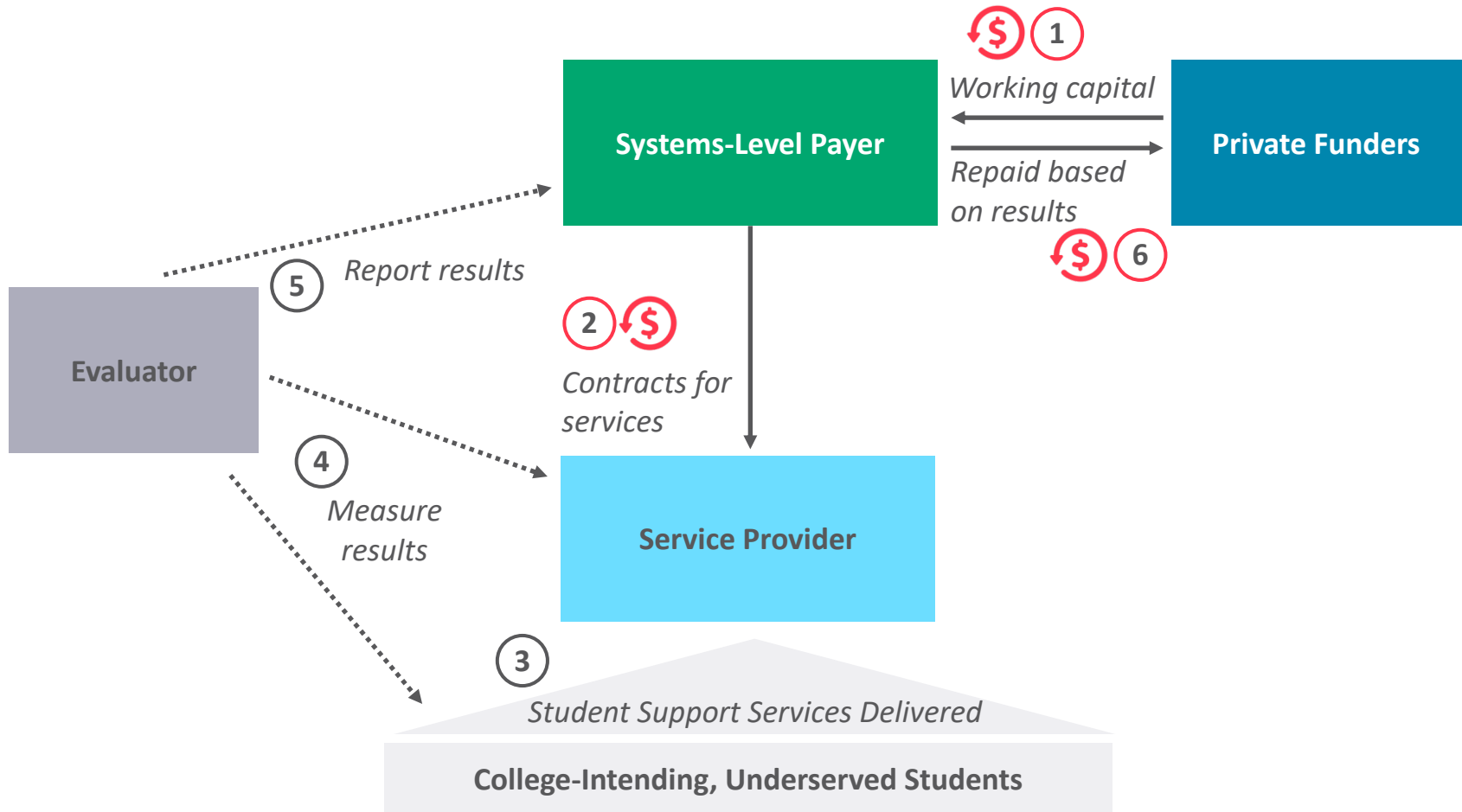
# Exploring PFS requires each likely stakeholder to consider and respond to unique PFS tools which help support and guide a project's development

## Tools Unique to PFS Contracts: Creates Continuous Feedback Loop



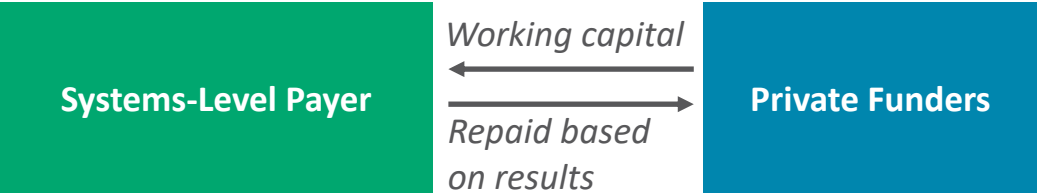
# Economics and Financing decisions influence many components of a PFS project and become a cornerstone of tool development

Illustrative PFS in Higher Ed Project



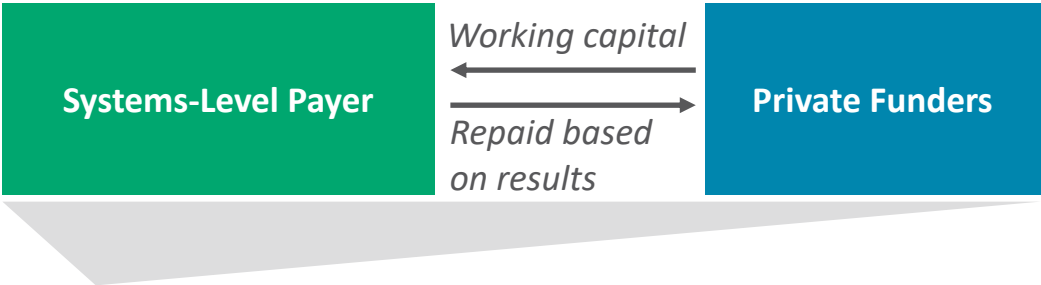
Sources refer to monetary inflows during the course of the project, while uses refer to monetary outflows throughout the project

Illustrative PFS in Higher Ed Project



In PFS projects, sources can be both the upfront working capital as well as outcomes payments typically made by government or a systems-level payer

Monetary Inflows in a Simplified Economic Model



Sources and Uses			
Sources		Uses	
Loan	\$ 250,000	Service Costs	\$ 250,000
Grant(s)	\$ 50,000	Project Admin	\$ 15,000
Outcome Payments	\$ 264,000	Interest	\$ 30,000
		Principal	
		Repayment	\$ 250,000
		Grant Recycling	\$ 19,000
<b>Total</b>	<b>\$ 564,000</b>	<b>Total</b>	<b>\$ 564,000</b>
		<b>Project Surplus/Deficit</b>	<b>\$ -</b>



# Sources of outcomes payments in PFS projects differ and stakeholders should consider the various enabling and limiting factors of the source

## Sources of Outcomes Payments in PFS Projects



Social Impact Partnerships to Pay for Results Act (SIPPR) or other Federal legislation may provide sources for outcomes payments

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# We will review PFS projects across other issue areas to illustrate some of the ways communities considered these sources of outcomes payments

## Sources of Outcomes Payments in PFS Projects

<b>Funding from Special Legislative Appropriations</b>		In the <b>Massachusetts Juvenile Justice PFS Initiative</b> , PFS payments are made from appropriations to the Commonwealth's Social Innovation Financing Trust Fund.
<b>Funding from Operating Budget</b>		<b>Cuyahoga County's Partnering for Family Success program</b> is the first county in the US to establish a special fund for PFS, which is subsidized through the County's Health and Human Services Levy proceeds.
<b>Funding from Guarantee</b>		The <b>Illinois Dually-Involved Youth PFS Initiative</b> was designed to improve outcomes for youth involved in both the child welfare and juvenile justice systems and planned to use a Social Impact Guarantee.
<b>Funding from an Opportunistic Source</b>		The <b>Salt Lake County PFS Initiative</b> launched two projects simultaneously to address homelessness and criminal justice and community partners leveraged resources from an expiring jail bond to fund outcomes.

Photo Credits: Juvenile Justice & Workforce Development: Courtesy of Roca, Inc.; Homelessness & Child Welfare: FrontLine Services, Barbara Pennington; Dually Involved Youth Project: Courtesy of Conscience Community Network; Mark Morelli, Housing: Courtesy of First Step House.

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# Funding decisions inform many components of PFS projects and decisions can be captured in a term sheet, the basis for multi-stakeholder agreements

## Term Sheet

**Term Sheet**  
A business document which sets the terms of the parties' agreement



**Which helps guide...**

Lawyers to draft all legal agreements to govern the project (typically there are >10)



**And also informs...**

How funding drivers might be changed or modified in the economic model to inform negotiation

# The PFS in Higher Education cohort will be using a term sheet template to begin documenting relevant positions and decisions as projects develop

## How to Navigate the Term Sheet Tool

### Term Sheet



#### Pay for Success in Higher Education National Cohort

Draft Term Sheet Template, 2019

**DRAFT: FOR EARLY DISCUSSION PURPOSES ONLY**

#### Notes:

- A Term Sheet is a business document which sets the terms of the parties' agreement.
- The purpose of this document is to draft a Term Sheet template which PFS in Higher Education national cohort sites can use as a tool to help facilitate multi-stakeholder project negotiations. While the template has been customized for the higher education context, cohort site teams should modify to what meets their project needs.
- This term sheet presents a "Social Impact Bond" (SIB) structure. A social impact bond, also known as pay-for-success or pay-for-success financing, is one form of outcomes-based contracting.
- The sources of funding from investors serves as an estimate and is subject to change per actual investor parameters. Investor parameters may impact the project budget.

1

Defining Project Participants

2

Determining a Project Structure

3


Reflecting Project Hypotheses as Decisions

4

Documenting Project Funding Estimates

# The Term Sheet is a business document which sets the terms of the parties' agreement

## Subcomponents Addressed by Term Sheet

Term Sheet	"Top 10" Project Subcomponents
 <p><b>Pay for Success in Higher Education National Cohort</b> Draft Term Sheet Template, 2019</p> <p><b>DRAFT: FOR EARLY DISCUSSION PURPOSES ONLY</b></p> <p>Notes:</p> <ul style="list-style-type: none"><li>• A Term Sheet is a business document which sets the terms of the parties' agreement.</li><li>• The purpose of this document is to draft a Term Sheet template which PFS in Higher Education national cohort sites can use as a tool to help facilitate multi-stakeholder project negotiations. While the template has been customized for the higher education context, cohort site teams should modify to what meets their project needs.</li><li>• This term sheet presents a "Social Impact Bond" (SIB) structure. A social impact bond, also known as pay-for-success or pay-for-success financing, is one form of outcomes-based contracting.</li><li>• The sources of funding from investors serves as an estimate and is subject to change per actual investor parameters. Investor parameters may impact the project budget.</li></ul>	1 Project Management
	2 Timing
	3 Project Budget
	4 Services
	5 Referral Pathway(s)
	6 Data
	7 Evaluation
	8 Oversight
	9 Financing
	10 Outcome Payments

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If you have a question, please feel free to use the chat box or unmute your line



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# Upcoming virtual learning opportunities will accompany exposure to PFS tools and resources required to develop projects

	October	November	December			
PFS Tools		Term Sheet				
	Economic Model	Procurement & Service Agreement				
<i>All webinars below will be recorded and shared.</i>						
Learning Opportunities	<p>Today 10/22</p> <p>“PFS 101” to introduce application of PFS in Higher Ed</p>	<p>10/30 2-3 pm ET</p> <p>“Funding Sources and Uses in PFS Projects”</p>	<p>11/13 2-3 pm ET</p> <p>“Services with an Evidence-Base and Procurement Implications”</p>	<p>11/18 2-3 pm ET</p> <p>“The Higher Ed Landscape: Readiness for PFS”</p>	<p>12/3 2-3 pm ET</p> <p>“Importance of PFS Pilots In Order to Launch PFS Projects”</p>	<p>12/11 1-2:30 pm ET</p> <p>All-Cohort Final Virtual Convening</p>
Readiness Assessment		<p>October 23-31st</p> <p>1:1 Provider interviews to complete PFS “Readiness Assessment”</p>		<p>December 2-13<sup>th</sup></p> <p>Provider closeout conversations about PFS readiness</p>		

## Disclosure

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