

2021 -- S 0371 SUBSTITUTE A

LC001751/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND PAY FOR SUCCESS ACT

Introduced By: Senators Miller, Sosnowski, Quezada, Goldin, Cano, and Goodwin

Date Introduced: February 25, 2021

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 160

4 RHODE ISLAND PAY FOR SUCCESS ACT

5 **42-160-1. Short title.**

6 This act shall be known and may be cited as the "Rhode Island Pay for Success Act."

7 **42-160-2. Legislative findings.**

8 The general assembly hereby finds and declares as follows:

9 (1) Pay for success contracts are executed detailing the outcomes, associated repayment
10 and evaluation process to be conducted by a third party. The proceeds are disbursed to a nonprofit
11 organization(s) that will execute the intervention delivering services and other resources, such as
12 housing, to the target population. An independent evaluator monitors the outcomes of the
13 intervention to determine if success was met. If the intervention improves financial and social
14 outcomes in accordance with established metrics, the government, as outcome payor, pays back the
15 investors with interest using a portion of the savings accrued from the successful outcomes. If the
16 evaluator determines that success was not met, meaning there is no improvement in financial or
17 social outcomes, the investors lose money.

18 (2) In 2016, the United States Department of Justice (DOJ) and the United States

1 Department of Housing and Urban Development (HUD) awarded funding to the Rhode Island
2 Coalition to End Homelessness to pursue a pay for success social impact bond in Rhode Island
3 focusing on housing and supportive services for persons experiencing homelessness who are high
4 utilizers of the health care and justice systems. The pilot program will leverage eight hundred
5 seventy-five thousand dollars (\$875,000) in outcome payment funding from the HUD/DOJ grant
6 as well as the intervention and independent evaluation process described in the grant agreement.

7 **42-160-3. Annual reporting.**

8 The executive office, in collaboration with the Rhode Island Coalition to End
9 Homelessness, shall provide yearly progress reports to the general assembly beginning no later than
10 January 30, 2022, and annually thereafter until January 30, 2027. These reports will include
11 recommendations on a proposed structure for entering into pay for success contracts, for
12 administering the program, and for any and all matters related thereto that the executive office
13 deems necessary to administer future pay for success projects at the conclusion of the pilot program
14 in 2026. As a condition of this project, HUD requires that a third party conduct a transparent and
15 rigorous evaluation of the intervention to determine whether the outcomes have indeed achieved
16 success. The evaluation results will be reported yearly to the governor, speaker of the house and
17 the senate president.

18 **42-160-4. Definitions.**

19 For the purpose of this chapter:

20 (1) "Performance targets" means the level of performance, as measured by an independent
21 evaluator, which represent success. Success is defined in the pay for success contract.

22 (2) "Independent evaluator" means an independent entity selected by the state whose role
23 includes assessing and reporting on the achievement of performance targets at the frequency
24 required in the pay for success contract.

25 (3) "Success payments" refer to the payments that the state will make only if contractual
26 performance targets are achieved as determined by the independent evaluator and approved by the
27 office of management and budget.

28 (4) "Pay for success contracts" are contracts designed to improve outcomes and lower costs
29 for contracted government services that are subject to the following requirements:

30 (i) A determination that the contract will result in significant performance improvements
31 and budgetary savings across all impacted agencies if the performance targets are achieved;

32 (ii) A requirement that a substantial portion of any payment be conditioned on the
33 achievement of specific outcomes based on defined performance targets;

34 (iii) An objective process by which an independent evaluator will determine whether the

1 performance targets have been achieved;

2 (iv) A calculation of the amount and timing of payments that would be earned by the service
3 provider during each year of the agreement if performance targets are achieved as determined by
4 the independent evaluator; and

5 (v) Payments shall only be made if performance targets are achieved. Additionally, the
6 outcome payment made pursuant to this chapter shall not exceed ten percent (10%) more than actual
7 costs incurred by program intermediary.

8 (5) "Coordinated entry system (CES)" means the partnership of all homeless service
9 providers in the state through this initiative of the Rhode Island continuum of care. CES manages
10 all diversion/entry to the shelter system through the coordinated entry hotline and manages the
11 permanent housing placement part of the program, once persons are in a shelter or are living on the
12 street.

13 (6) "Executive office" means the Rhode Island executive office of health and human
14 services.

15 (7) "Homeless management information system (HMIS)" means the database used to
16 collect information in order to track and report on the scope of homelessness prevention/assistance
17 and human service needs across the Rhode Island continuum of care (COC) as well as individually
18 at each organization. The Rhode Island Coalition to End Homelessness is the current HMIS state
19 lead.

20 (8) "Homelessness" means the category 1 and category 4 definitions outline by HUD:

21 (i) Category 1-Literally homeless: the situation of an individual or family lacking a fixed,
22 regular, and adequate nighttime residence, meaning:

23 (A) Has a primary nighttime residence that is a public or private place not meant for human
24 habitation;

25 (B) Is living in a publicly or privately operated shelter designated to provide temporary
26 living arrangements (including congregate shelters, transitional housing, and hotels and motels paid
27 for by charitable organizations or by federal, state and local government programs); or

28 (C) Is exiting an institution where he or she has resided for ninety (90) days or less and
29 who resided in an emergency shelter or place not meant for human habitation immediately before
30 entering that institution.

31 (ii) Category 4-Fleeing/attempting to flee domestic violence: Any individual or family
32 who:

33 (A) Is fleeing, or is attempting to flee, domestic violence;

34 (B) Has no other residence; and

1 (C) Lacks the resources or support networks to obtain other permanent housing.

2 (9) "Nonprofit organization" means a nonprofit organization that is exempt from federal
3 taxation pursuant to § 501(c)(3) of the federal internal revenue code, 26 U.S.C. § 501(c)(3).

4 (10) "Outcome payor" means the Rhode Island state government.

5 (11) "Permanent supportive housing (PSH)" means a permanent deeply subsidized unit,
6 tenant or project based subsidy, with supportive services, generally for persons experiencing
7 homelessness for long periods of time who also have other significant challenges such as disability
8 or mental illness.

9 (12) "Social impact bond", "pay for success bond" or "bond" means a contract between the
10 public and private sectors in which a commitment is made to pay for improved financial and social
11 outcomes that result in public sector savings. These contract agreements are funded by
12 appropriation.

13 (13) "Target population" means highly vulnerable persons that experience long-term
14 homelessness and incur significant costs within the criminal justice, shelter, and/or health care
15 systems, likely related to their housing instability, with an estimated average per person cost of
16 Medicaid claims for adults in shelter, top twenty-five (25) clients, totaling two hundred twenty-
17 nine thousand, six hundred ninety-five dollars and forty-four cents (\$229,695.44), as per the Rhode
18 Island Medicaid and HMIS data match for adults in shelter. Eligibility will be confirmed by data
19 matching, case conferencing, and coordination with health care providers and the coordinated entry
20 system (CES); data sources will be provided by the department of corrections, executive office of
21 health and human services, and the Rhode Island homeless management information system.

22 (14) "Program intermediary" means a firm that contracts with a state agency to establish
23 and delivery a service or program intervention by doing any of the following:

24 (i) Delivering or contracting for relevant services or outcomes;

25 (ii) Raising capital to finance the delivery of services or outcomes;

26 (iii) Providing ongoing project management and investor relations for the social impact
27 funding instrument.

28 **42-160-5. Pilot program established.**

29 There is established a five (5) year pay for success pilot program to be administered by the
30 Rhode Island executive office of health and human services. The pilot will follow the proposal
31 outlined in the 2016 pay for success grant proposal to HUD and 2017 feasibility study. The pay for
32 success project will provide a housing and supportive services intervention (PSH) for one hundred
33 twenty-five (125) persons in Rhode Island experiencing homelessness who are high utilizers of the
34 health care and justice systems. The pilot program will leverage eight hundred seventy-five

1 thousand dollars (\$875,000) of HUD/DOJ grant funds. Contract agreements with the executive
2 office of health and human services, the amount of bonds issued by the executive office pursuant
3 to this chapter shall not exceed one million five hundred thousand dollars (\$1,500,000) per fiscal
4 year or six million dollars (\$6,000,000) in the aggregate over the five (5) years of the pilot program,
5 as determined by the department; provided, no agreements shall be entered by the department after
6 July 1, 2026, without further authorization by the general assembly.

7 **42-160-6. Establishment of restricted receipt account.**

8 There is hereby created within the general fund of the state a restricted receipt account
9 entitled or to be known as "pay for success." The account shall be housed within the budget of the
10 executive office of health and human services and shall be utilized to record all receipts and
11 program expenditures associated with this chapter. All such monies deposited shall be exempt from
12 the indirect cost recovery provisions of § 35-4-27.

13 SECTION 2. This act shall take effect upon passage.

=====
LC001751/SUB A
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND PAY FOR
SUCCESS ACT

1 This act would establish a five (5) year pay for success pilot program to be administered
2 by the Rhode Island executive office of health and human services. The project would provide
3 housing and support services to Rhode Islanders experiencing homelessness who are high utilizers
4 of the health care and justice systems.

5 This act would take effect upon passage.

=====
LC001751/SUB A
=====