
SENATE COMMITTEE ON PUBLIC SAFETY

Senator Steven Bradford, Chair

2021 - 2022 Regular

Bill No: SB 472 **Hearing Date:** April 6, 2021
Author: Caballero
Version: February 17, 2021
Urgency: No **Fiscal:** Yes
Consultant: KW

Subject: *Social Innovation Financing Program*

HISTORY

Source: Social Finance, Inc.

Prior Legislation: AB 862 (Maienschein), held in Senate Appropriations in 2018
AB 1056 (Atkins), Ch. 438, Stats. 2015
AB 1837 (Atkins), Ch. 802, Stats. 2014

Support: Center for Employment Opportunities; Impact Justice; Interface Children & Family Services; Public Health Institute; REDF; San Diego Workforce Partnership; San Diego County Workforce Development Board; Third Sector Capital Partners

Opposition: None known

PURPOSE

The purpose of this bill is to expand the existing Social Innovation Financing Program to five counties, extend the program's sunset to 2031, and make other changes to the program.

Existing law establishes the Board of State and Community Corrections (BSCC). (Pen. Code, § 6024, subd. (a).)

Existing law requires the BSCC to do the following, among other things:

- Develop recommendations for the improvement of criminal justice and delinquency and gang prevention activity throughout the state;
- Identify, promote, and provide technical assistance relating to evidence-based programs, practices, and promising and innovative projects consistent with the mission of the board;
- Receive and disburse federal funds, and perform all necessary and appropriate services in the performance of its duties as established by federal acts;
- Develop procedures to ensure that applications for grants are processed fairly, efficiently, and in a manner consistent with the mission of the board;
- Identify delinquency and gang intervention and prevention grants that have the same or similar program purpose, are allocated to the same entities, serve the same target populations, and have the same desired outcomes for the purpose of consolidating grant funds and programs and moving toward a unified single delinquency intervention and

prevention grant application process in adherence with all applicable federal guidelines and mandates;

- Cooperate with and render technical assistance to the Legislature, state agencies, local governments, or other public or private agencies, organizations, or institutions in matters relating to criminal justice and delinquency prevention;
- Develop incentives for units of local government to develop comprehensive regional partnerships whereby adjacent jurisdictions pool grant funds in order to deliver services, to a broader target population and maximize the impact of state funds at the local level;
- Conduct evaluation studies of the programs and activities assisted by the federal acts.
- Identify and evaluate state, local, and federal gang and youth violence suppression, intervention, and prevention programs and strategies, along with funding for those efforts. (Pen. Code, § 6027, subd. (b).)

Existing law defines “social innovation financing contract” as a contractual agreement between government, private investors, and service providers pursuant to which private investors agree to provide financing to service providers to achieve social outcomes agreed upon in advance and the government agency agrees to pay a return on the investment to the investors if successful programmatic outcomes are achieved by the service provider. Provides that a social innovation financing contract may also be known and referred to as a “pay for success contract.” (Gov. Code, § 97008, subd. (b).)

Existing law establishes the Social Innovation Financing Program and requires the BSCC to administer the program. Requires the BSCC to select three counties to receive grant funding under the program. (Gov. Code, § 97010.)

Existing law authorizes the BSCC, upon appropriation of funds by the Legislature, to award a grant in an amount of not less than \$500,000 and not more than \$2,000,000 to each county selected for the purposes of entering into a pay for success or social innovation financing contract. Prohibits the total amount of the grants awarded pursuant from exceeding \$5,000,000. (Gov. Code, § 97011, subd. (a).)

Existing law specifies what each county social innovation financing contract must include. (Gov. Code, § 97011, subd. (b).)

Existing law requires each county receiving an award to report annually to the BSCC on the status of its ongoing social innovation financing program. Requires the BSCC to compile the county reports and submit a summary report to the Governor and Legislature annually. (Gov. Code, § 97013.)

Existing law provides that the program sunsets on January 1, 2022. (Gov. Code, § 97013, subd. (d).)

This bill expands the grant program to five counties and extends the program’s sunset date to January 1, 2031.

This bill specifies that counties that received grants under the existing program are eligible to receive funding.

This bill requires the BSCC to award a grant of not less than \$1 million and not more than \$10 million to each selected county. Prohibits the maximum amount of grants awarded from exceeding \$26 million.

This bill includes all of the existing requirements for each county contract. Adds a requirement that a clear description of the recruitment and selection process for participants in the social program be included in each county contract.

This bill increases the percentage of the grant funds awarded that may be used by the counties for administrative expenses related to the development of the pay for success or social innovation financing contract from 10 to 15 percent.

This bill provides that up to 2 percent of the funds appropriated by the Legislature may be used by the BSCC to award microgrants to counties. Specifies that a county board of supervisors interested in being considered for a microgrant must submit a brief synopsis of their project including a summary of the challenges targeted by the project, a list of critical project partners, and a description of the analysis to be conducted during the proposal development process and the source of data to be used in that analysis.

This bill maintains the requirement that each county receiving an award report annually to the BSCC on the status of its social innovation financing program and the requirement that the BSCC submit a summary report to the Governor and Legislature annually. Encourages the BSCC to convene representatives from each participating county to discuss progress and share experiences with the board and other participating counties.

COMMENTS

1. Need for This Bill

According to the author:

In the face of one of the nation's highest recidivism rates, California has enacted a series of criminal justice reforms. However, the overall rearrest rate for felony offenders remains at 66%; the four-year reconviction rate, despite small declines, remains at 35%. At the same time, California is at the center of the nation's growing homelessness crisis. At least 150,000 people experience homelessness each night; nearly 75% are unsheltered. Over a quarter are chronically homeless. These are large and complex problems. Yet, few approaches create accountability measures that ensure taxpayers only fund successful programs. One such example is the Board of State and Community Corrections' Pay for Success grant program [AB 1837 (Atkins), Chapter 802, 2014]. AB1837 used an innovative mechanism called Pay for Success to launch three county-level projects focused on recidivism reduction. The Pay for Success grant program demonstrates a mechanism for the state to fund social programs on the basis of their results, as measured by an independent evaluator. It also proved that counties are receptive to collaborations of this kind. However, initial awards were small, resulting in correspondingly small projects, and limited to only 3 counties. A new set of awards would continue to position California as a national leader in social innovation and results-based funding, while targeting the state's most important policy issues.

2. Expansion of the Social Innovation Financing Grant Program

Established in 2012, the BSCC is an independent statutory agency that provides leadership to the adult and juvenile criminal justice systems, provides expertise on Public Safety Realignment issues, serves as a data and information clearinghouse, and provides technical assistance on a wide range of community corrections issues. In addition, the BSCC promulgates regulations for adult and juvenile detention facilities, conducts regular inspections of those facilities, develops standards for the selection and training of local corrections and probation officers, and administers significant public safety-related grant funding.

AB 1837 (Atkins), Chapter 802, Statutes of 2014, established the Social Innovation Financing Program to be administered by the BSCC, and provided \$5,000,000 in funding from the Recidivism Reduction Fund. Social innovation financing programs, also referred to as “pay for success” (PFS) projects are funding models that aid the government in serving unserved, underserved, and vulnerable communities. Under this model, governments, service providers, and funders agree on targeted outcomes for the identified populations. Private investors and philanthropy provide flexible multi-year operating costs to fund effective social service providers. If targeted outcomes are achieved, government makes “success payments” to investors, who may reinvest their returns to further impact social change. The stated purpose of the grant program established via AB 1837 is to reduce recidivism using evidence-based approaches that may address such issues as homelessness, substance abuse, and unemployment. (BSCC, *Pay for Success Grant Program: Legislative Report 2017* <<https://www.bscc.ca.gov/wp-content/uploads/PFS-Final-Leg-Report-10-3-17.pdf>>.)

In April 2016, the BSCC awarded grants to Alameda County, Los Angeles County, and Ventura County through a competitive-bid process. Specifically, the BSCC awarded \$1.25 million to Alameda County, \$2 million to Los Angeles County, and \$1.5 million to Ventura County. Each county’s PFS project launched in the fall of 2017. Each county has contracted with an independent evaluator tasked with developing the methodology for determining successful programmatic outcomes that will trigger repayment to the investor and validating the results of the project.

Alameda County’s PFS Project, named Alameda County Justice Restoration Project, is designed to engage individuals who continue to commit certain realigned felonies. Through collaboration, direct services, and peer-based navigation, Alameda’s program creates opportunities and addresses chronic unemployment, poverty, substance abuse, mental health issues, physical health care, access to adequate housing, educational opportunities, and vocational training. Services include both pre-and post-release outreach. The program is led by the District Attorney’s Office in collaboration with the Probation Department, Sheriff’s Office, Public Defender’s Office, Health Care Services, Behavioral Health Care Services, and several community-based service providers.

The Los Angeles County PFS Project serves individuals who are homeless, have a mental illness and/or substance use disorder, and are involved with the Los Angeles County criminal justice system. The project intends to fund 300 permanent supportive housing slots which will provide wraparound support services. The intervention consists of two linked components: pre-release jail in-reach supportive services and immediate interim housing in anticipation of permanent supportive housing upon release from jail. The LA County Department of Health Services is the

lead agency on the project and has partnered with the Sheriff's Department, courts, LA County Chief Executive Officer, and numerous community-based service providers.

Ventura County's PFS Project focuses on reducing the number of re-arrests among 400 medium-to-high risk adult probationers. The program model offers an integrated community-based set of evidence-based practices targeting the specific criminogenic factors most related to recidivism. The project has a public-private partnership that leverages and coordinates the expertise and resources of the County Executive Office, Probation Department, Public Defender's Office, the primary project service provider, and the primary project intermediary.

According to the BSCC's 2020 report to the Legislature:

- Projects are consistently meeting the performance targets and success payments are regularly being made to investors in accordance with partner agreements;
- All three PFS projects continue to be fully engaged and providing direct services to participants despite the COVID-19 pandemic challenges occurring in year four;
- Two of the three projects have fully met their targeted number of program participants for the grant period;
- Adjustments made in service delivery to meet the safety needs during the time of COVID-19 is proving to have the potential for long-range benefits such as increased client engagement through virtual platforms and collaboration with partners to expedite traditional processes and remove barriers to services;
- Projects have realized an increase in the number of clients graduating from treatment programs;
- The project has provided 350 permanent supportive housing slots to program participants; and
- Each project's independent evaluator is regularly assessing program data to determine repayment of investors based on successful outcomes achieved and are well positioned to complete a final evaluation following the submission of year-five data.

(BSCC, *Pay for Success Grant Program: Legislative Report 2020*

<<https://www.bscc.ca.gov/wp-content/uploads/PFS-2020-Leg-Report-FINAL.pdf>>)

The BSCC concluded that it is expected that the projects will continue to meet performance objectives that trigger success payments to the investors in the next year, and it is anticipated that early results regarding the evaluation of outcomes measured after 18 months of participation will begin to emerge and provide some additional insight as to the level of longer-term success that may be achieved with the PFS projects.

This bill would expand the existing program to five counties, extend the program's sunset date to 2031, and make some changes to the program, including increasing the minimum and maximum grant amount and allowing up to 15% of the grant funds awarded to be used by a county for administrative expenses related to the development of the pay for success or social innovation financing contract.