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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. Legislative findings and declarations. The general assembly hereby finds and
2 declares as follows:

3 (1) Pay for Success, a form of outcome-based contracting, raises funds from non-state
4 government investors to pay for the provision of an innovative intervention program that will
5 effectively address a social challenge resulting in cost savings and improved outcomes. Once the
6 government identifies a social challenge, then social impact bonds are sold to investors to provide
7 the upfront capital for the agreed upon intervention. Pay for Success contracts are executed
8 detailing the outcomes, associated repayment and evaluation process to be conducted by a third
9 party. The proceeds are dispersed to a nonprofit organization(s) that will execute the intervention
10 delivering services and other resources, such as housing, to the target population. A third-party
11 evaluator monitors the outcome of the intervention to determine if success was met. If the
12 intervention improves financial and social outcomes in accordance with established metrics, the
13 government, as outcome payor, pays back the investors with interest using a portion of the savings
14 accrued from the successful outcomes. If the evaluator determines that success was not met,
15 meaning there is no improvement in financial or social outcomes, the investors lose money.

16 (2) The Rhode Island executive office of health and human services (EOHHS) is the
17 appropriate office to oversee a five (5) year Pay for Success pilot program and evaluation. The
18 executive office, in collaboration with the Rhode Island Coalition for the Homeless, shall provide

1 yearly progress reports to the general assembly starting January 31, 2022, and annually thereafter
2 until January 30, 2027. These reports will include recommendations on a proposed structure for
3 entering into Pay for Success contracts, for administering the program, and for any and all related
4 matters that the executive office deems necessary to administer future Pay for Success projects at
5 the conclusion of the pilot program in 2027. As a condition of this project, the United States
6 Department of Housing and Urban Development (HUD) requires that a third party conduct a
7 transparent and rigorous evaluation of the intervention to determine whether the outcomes have
8 indeed achieved success. The evaluation results will inform the yearly reports to the governor and
9 general assembly.

10 (3) In 2016 the United States Department of Justice (DOJ) and the United States
11 Department of Housing and Urban Development (HUD) awarded funding to the Rhode Island
12 Coalition for the Homeless to pursue a Pay for Success social impact bond in Rhode Island focusing
13 on housing and supportive services for persons experiencing homelessness who are high utilizers
14 of the health care and justice systems. Based on matching data between the executive office
15 (Medicaid), the Rhode Island department of corrections, and the Homeless Management
16 Information System (HMIS), a 2017 feasibility study was conducted. The study demonstrated that
17 a Pay for Success project could achieve considerable savings through an intervention consisting of
18 permanent housing and supportive services (Permanent Supportive Housing or PSH) for the target
19 population. The pilot program will leverage up to eight hundred seventy-five thousand dollars
20 (\$875,000) in outcome payment funding from the HUD/DOJ grant as well as the intervention and
21 third party evaluation process described in the grant agreement.

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

24 CHAPTER 155.1

25 THE RHODE ISLAND PAY FOR SUCCESS ACT

26 **42-155.1-1. Short title.**

27 This chapter shall be known and may be cited as the "The Rhode Island Pay for Success
28 Act".

29 **42-155.1-2. Definitions.**

30 For the purpose of this chapter, the following terms, phrases, words and their derivations
31 have the following meanings. When not inconsistent with the context, words used in the plural
32 number include the singular number and words used in the singular number include the plural
33 number:

34 (1) "Coordinated entry system (CES)" means a system operated and managed by the Rhode

1 Island Coalition for the Homeless whereby individuals may call an established hotline (coordinated
2 hotline telephone number) and speak to an agent who conducts an assessment and refers individuals
3 in need to eligible resources including diversion assistance, shelter, and permanent housing
4 placement. It involves a partnership of homeless service providers in the state through an initiative
5 established and funded by the Consolidated Homeless Fund, Continuum of Care, and Emergency
6 Solutions Grant.

7 (2) "DOJ" means the United States Department of Justice.

8 (3) "Executive office" or "EOHHS" means the Rhode Island executive office of health and
9 human services.

10 (4) "Homeless management information system (HMIS)" means a coordinated system used
11 to collect information in order to track and report on the scope of homelessness
12 prevention/assistance and human service needs in the state. The Rhode Island continuum of care
13 (CoC) has designated the Rhode Island Coalition for the Homeless to lead the HMIS.

14 (5) "Homelessness" means the Category 1 and Category 4 established by the United States
15 Department of Housing and Urban Development (HUD) as follows:

16 (i) Category 1 - Literally Homeless: An individual or family lacking a fixed, regular, and
17 adequate nighttime residence, meaning:

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

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

23 (C) Is exiting an institution where an individual has resided for ninety (90) days or less and
24 who resided in an emergency shelter or place not meant for human habitation immediately before
25 entering that institution.

26 (ii) Category 4 - Fleeing/Attempting to Flee Domestic Violence: Any individual or family
27 who:

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

29 (B) Has no other residence; and

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

31 (6) "HUD" means the United States Department of Housing and Urban Development.

32 (7) "Nonprofit organization" means a nonprofit organization that is exempt from federal
33 taxation pursuant to § 501(c)(3) of the Federal Internal Revenue Code, 26 U.S.C. § 501 (c)(3).

34 (8) "Outcome payment" means the money paid when a pay for success contract

1 performance measure is met.

2 (9) "Outcome payor" means the entity (federal, state, local and tribal governments, or other)
3 that pays the investor with an agreed-upon return if the intervention is successful (if outcome
4 measures are achieved). The outcome payor for this pilot pay for success program will be the
5 executive office.

6 (10) "Pay for success contract" means a written agreement to provide a program, service,
7 or economic development initiative, under which an investor provides funding that a state agency
8 agrees to repay to the investor if the service, program, or economic development initiative meets
9 the performance measures and outcomes in the agreement.

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

14 (12) "Program intermediary" means a firm that contracts with the executive office to
15 establish and deliver a service or program intervention by doing any of the following:

- 16 (i) Delivering or contracting for relevant services or outcomes;
- 17 (ii) Raising capital to finance the delivery of services or outcomes; and
- 18 (iii) Providing ongoing project management and investor relations for the social impact
19 funding instrument.

20 (13) "Social impact bond", "pay for success bond" or "bond" means a contract between the
21 public and private sectors in which a commitment is made to pay for improved financial and social
22 outcomes that result in public sector savings.

23 (14) "Target population" means highly vulnerable individuals who experience long-term
24 homelessness and incur significant costs within the criminal justice, shelter, and/or health care
25 systems, likely related to their housing instability.

26 **42-155.1-3. Pay for success pilot program established.**

27 There is hereby established a five (5) year pay for success pilot program to be administered
28 by the executive office. The pilot program will follow the proposal outlined in the 2016 pay for
29 success grant proposal to HUD and 2017 feasibility study. The pay for success program will
30 provide housing and supportive services intervention (PSH) for one hundred twenty-five (125)
31 individuals in Rhode Island who are experiencing homelessness and who are high utilizers of the
32 health care and justice systems. The pilot program will leverage up to eight hundred seventy-five
33 thousand dollars (\$875,000) of HUD/DOJ grant funds.

34 **42-155.1-4. Financial limitations.**

1 Regardless of the mechanism established by the executive office, the amount of bonds
2 issued by the executive office pursuant to this chapter shall not exceed one million five hundred
3 thousand dollars (\$1,500,000) per fiscal year or six million dollars (\$6,000,000) in the aggregate
4 over the five (5) years of the pilot program, as determined by the executive office. Provided, no
5 bonds shall be issued by the executive office after July 1, 2027, without further authorization by
6 the general assembly.

7 SECTION 3. This act shall take effect upon passage.

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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 create a five (5) year pilot program entitled, pay for success, an intervention
2 program that would assist homeless individuals with the goal towards improving financial and
3 social outcomes. The EOHHS would sell social impact bonds to non-state government investors
4 that would provide the upfront capital for an agreed upon intervention. The funds would be
5 dispersed to a nonprofit organization that would deliver services and other resources, such as
6 housing, to a target population. A third party would monitor the program's success or failure. If the
7 program is deemed successful, the EOHHS would pay back the investors with interest using a
8 portion of the savings accrued from the successful outcomes. If the third party determines that there
9 is no improvement in financial or social outcomes, the non-state government investors lose money.

10 This act would take effect upon passage.

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