WAYS AND MEANS
CHAIRMAN KEVIN BRADY

H.R. 5170 "Social Impact Partnerships to Pay for Results Act"
(Summary of Expected Amendment in the Nature of a Substitute)
Supporting Innovative and Effective Social Programs that Deliver Real Results
Sponsored by Ways and Means Member Rep. Young (R-IN)

<u>Under this bill:</u>

- State and local governments would raise their own money and pay for a social service, then be repaid by the federal government only if a rigorous, independent evaluation showed the service achieved the intended result.
  - A state or local government would identify a social service they believed would produce a positive social outcome, and identify state, local, or private funding to pay for the service.
  - The state or local government would then apply to receive federal payment if the service produced the desired outcome.
  - The federal government would agree to pay a specified amount for the desired outcome, based on a high-quality evaluation determining the service was successful.
  - If the independent evaluator determined the outcome was achieved, the federal government would pay the state or local government. If the outcome was not achieved, the federal government would pay nothing.
- Up to $100 million (reserved from the TANF Contingency Fund in FY2017) would be provided for the federal government to pay for outcomes.

<u>Cost:</u> No cost.

<u>Support:</u> There is bipartisan support to use federal funds to pay for programs that produce real results. Groups ranging from conservative think tanks to liberal child welfare organizations have recommended funding programs on a "pay-for-outcomes" basis. This proposal has garnered over 40 bipartisan House cosponsors, and a similar proposal has been proposed in recent Obama Administration budgets.

A companion bill has also been introduced in the Senate by Senators Hatch (R-UT) and Bennett (D-CO).

Background:

- Social impact financing is a financing mechanism used to raise private-sector funding to expand effective social programs and ensure the government only pays for successful services and interventions.
- Under this financing structure, the risk of achieving the outcome is shifted from government to the private sector, as taxpayer funds are only spent on the program if desired outcomes are achieved. As a result, this financing structure helps drive innovation and competition in the social service sector, as funding is available to reward those who can achieve results.
- This financing structure also provides more flexibility for service providers as they are focused on achieving the outcome—not compliance with cumbersome federal rules.