



America Forward on Pay for Success

Innovation, Flexibility, and Data-Driven Results

America Forward is the nonpartisan policy initiative of New Profit, a national nonprofit venture philanthropy fund that seeks to break down barriers between all people and opportunity in America. To date, New Profit has invested over \$150 million in scaling innovative organizations' impact. America Forward unites social entrepreneurs with policymakers and advances a public policy agenda that fosters innovation, rewards results, catalyzes cross-sector partnerships, and translates local impact into national change.

The America Forward Coalition is a network of more than 70 social innovation organizations that champion innovative, effective, and efficient solutions to our country's most pressing social problems. Our Coalition members are achieving measurable outcomes in more than 14,500 communities nationwide, touching the lives of 8 million Americans each year, and driving progress in education, workforce development, early learning, poverty alleviation, public health, Pay for Success, social innovation, national service, and criminal justice reform. Together, our Coalition organizations have leveraged \$1.5 billion for social innovation and have driven millions of federal resources along with resources leveraged from donors and philanthropy toward programs that are achieving measurable results for those who need them most. Since 2007, America Forward's community of entrepreneurs has played a leading role in driving the national dialogue on social innovation and advocating for lasting policy change.

We believe that innovative policy approaches that foster innovation, reward results, and catalyze cross-sector partnerships can transform these local results into national change and propel all of America forward.

Who We Are

Every day, across the country, we are leading the way in the use of cutting-edge data and research to pursue bold, outcomes-driven solutions to some of the most difficult challenges associated with workforce development, education, and poverty alleviation. Some of us help students from under-resourced communities or with learning disabilities prosper in early childhood, elementary and high school, enabling them to graduate ready for college and career. Some of us help families through crisis periods and enable youth leaving foster care to live independently. Others offer "opportunity youth" the chance to gain the education and training they need to get back on track. Some of us help students persist in post-secondary programs by providing the extra supports they need. Others provide "bridge building" jobs that offer work experience accompanied by supports that help workers transition to future opportunities. And many of us provide critical supports, inspire and motivate those we serve, improve access to other providers, and help people navigate the often-confusing education, job training, and workforce systems.

Our organizations are constantly learning about what works, developing new innovations, measuring outcomes, and achieving real impact in our communities. We use public funds efficiently to achieve measurable results. We leverage high levels of support from private donors and philanthropy. And some of us deliver job training and work experience through enterprises that earn revenue from the private market, reducing the need for public subsidy.

We hold ourselves to high standards. We measure our results. And our success tells us that it is possible to forge a pathway from poverty to economic success. But it will take hard work, investment in effective efforts currently underway, and continued reform where change is still needed.

Why We Care

Current government decision-making about policies and funding allocations is too often focused on inputs and outputs rather than on outcomes; it is constrained by the fact that resources are often inefficiently siloed, locked into specific providers or programs, and it does not incentivize innovation; it fails to use research to provide adequate resources for prevention strategies, instead choosing to support remediation activities; and, it is impeded by limited availability of, and access to, data. By one measure, the Federal government allocates over \$1.5 trillion for social services annually, but only about one percent of that funding is allocated in a way that its impact on those being served is known.ⁱ

In addition, organizations that provide services supported by government policies and funded by government dollars face steep challenges associated with this current decision-making approach. These challenges include: funding restrictions that undermine their ability to do what they know works best, to innovate and problem-solve; payments that do not cover full costs, and that are routinely delayed, sapping organizational resources and strength; decades of "doing more with less", which has included limited or no investment in capacity and infrastructure; and, onerous reporting requirements that do not assist continuous improvement.

We face many challenges as a nation that seem intractable, yet it is imperative that we find a way to address them to ensure the best possible life for children, youth, and adults in communities across this country. To do this, we must bring a greater focus to using evidence to drive what our government funds by resourcing solutions that can more efficiently and effectively steward our limited taxpayer dollars to measurably improve the lives of all Americans.

Our failure to demand a focus on outcomes, to address the inefficiencies in our policy and funding structures, including a lack of focus and resources for prevention, and to demand the use of data in our policymaking is evidenced in our education rankings, criminal justice figures, and employment rates. No longer is the United States at the top of international education rankings. Over three quarters of a million young people drop out of school each year, and many who graduate lack the skills that would make them employable.ⁱⁱ Only half of the students who enter higher education institutions get a degree on schedule (within five years or less).ⁱⁱⁱ More than 50 percent of all African American men who drop out of high school will have a prison record at some point in their lives.^{iv} Millions leave prisons each year with little prospect of becoming self-supporting through legal means, and over half of all people

released from prison commit another crime within three years.^v More than two-thirds of our children and youth—34 million Americans between ages 6 and 17—are not receiving the supports they need to succeed as adults.^{vi} As a result of these multiple challenges and others, one in seven American youths is neither employed nor in school.^{vii} Yet even with these results, we continue to spend billions of tax dollars every year on safety net and human services programs and billions more on prisons—the public costs of which have increased four-fold in the last twenty years.^{viii}

This lack of discipline in how we allocate public resources also impacts businesses and employers. Companies spend billions of dollars teaching basic skills to employees who arrive without them and, while the unemployment rate has decreased, more than five million positions go unfilled in part because candidates with the right skills are in short supply.^{ix} And when it becomes easier to find qualified employees elsewhere, businesses leave, taking their jobs with them. As a result, we risk both our ability to compete globally and our ability to live as a nation in accord with our deepest values and boldest aspirations, including our ability to employ millions of Americans with living-wage jobs.

Making government more efficient and effective is a bipartisan idea that both Republican- and Democratic-led Administrations and Congresses have embraced in various forms through the years. Most recently, this bipartisan approach to policy and funding decision-making has resulted in the creation of the Social Innovation Fund, funding for the Workforce Innovation Fund and Investing in Innovation fund, the emphasis on data and results in the Workforce Innovation and Opportunity Act and the Every Student Succeeds Act, and the establishment of the Commission on Evidence-Based Policymaking. These examples showcase the possibility of support from both sides of the aisle for making decisions about policies enacted and funding allocated that are based on data, outcomes, and that have the greatest ability to measurably improve the lives of all Americans.

What Changes We Need

To move towards a policymaking environment that focuses on outcomes, incentivizes innovation, resources prevention over remediation, and increases access to and the use of data, government must embrace the idea that this is a movement with many stages that needs to be focused on and resourced continuously. Policies and resources must support the **invention** (R&D) and testing of innovative, effective approaches. **Implementation** activities need to be supported and those activities must include opportunity for measurement of impact and flexibility to use government funding to focus on outcomes. Resources to **invest** in successful inventions at a large scale also should be prioritized. And finally, this movement needs to include an openness to continuously **improve** as factors impact the need for new inventions or additional testing of current approaches. This requires the resourcing of continuous quality improvement evaluations and supporting data development and infrastructure.

Unfortunately, this is not a common approach to government policymaking or funding decision-making. There are government programs that work well, but are not taken to scale or improved upon. Many more programs have never been evaluated or have been found to have no impact but continue to be resourced. Promising programs get launched but plateau due to lack of continued support. Preventative efforts get little or no attention; government typically waits until problems are intractable before

directing resources at them. And too often, outcomes are not clearly specified or emphasized, approaches are too narrowly prescribed, the ability to measure outcomes is severely limited, and resources are locked into specific providers, even if others would yield greater value. As a result, government may fund the same ineffective programs for decades without combatting the root cause of the targeted problem, costing taxpayers billions of dollars and undermining the potential of the people who the programs are intended to help.

To make this shift in government's approach to policymaking that supports innovation and outcomes-based decision-making requires policymakers to stop taking some familiar actions and instead to consider new and different actions. The former requires cutting some long-supported programs, eliminating others, and redirecting funds from one intervention to another based on evidence, data, and the ability to show measurable impact. The latter includes consideration of actions related to both government and provider ecosystems that need support and to how funding should be authorized and allocated. Ecosystem-related policies include hiring individuals who have knowledge in data collection and analysis, program evaluation, and continuous quality improvement; allowing access to administrative datasets; resourcing evaluations as a core element of the receipt of discretionary, mandatory, and even entitlement funding; and, investing in updated data systems to support data sharing and analysis to decrease the cost of and increase the ability to conduct evaluations. Authorized use changes to funding can come in the form of legislative and regulatory language that allows for new contracting approaches that emphasize outcomes over inputs and outputs. The allowable or even mandatory use of Pay for Success contracting is one important step policymakers could take in rethinking how we allocate limited taxpayer resources.

Definitions

Pay for Success: An approach to government decision-making that supports policies and funding decisions that focus on outcomes over inputs and outputs, incentivize innovation and emphasize prevention, that help unlock siloed resources, and that support the development of and access to data.

Pay for Success Contracting: A type of performance-based contracting that provides payments in part or entirely based on the achievement of outcomes. Usually, these contracts are between government and strong service providers or providers' representatives in which impact is measured rigorously and government makes "success payments," or increases a provider's market share, when outcomes are achieved within a specific timeframe. Also referred to as Pay for Performance or Outcomes-Based Contracting.

Pay for Success Financing: A tool designed to address the payment delays and uncertainties inherent in some forms of Pay for Success contracting. In Pay for Success Financing, mission-driven private funders (e.g., banks, philanthropies, individuals), using various financial instruments, provide working capital to service providers with Pay for Success contracts to deliver social, health, housing, community development, and similar services, and those private funders take on the financial risk that the service provider will not meet the level of success necessary to trigger performance payments. Sometimes these funders receive a rate of return if the outcomes are met. Social Impact Bonds are one form of Pay for Success Financing (but are not actually

Pay for Success Contracting links payments from governments (or other end payors interested in supporting the achievement of measureable outcomes related to public programs) to positive outcomes that have been measured and evaluated. Under this contracting model, dollars are tied to results and the value of these results for improving lives and preventing future community problems rather than based on the cost of services provided, or the number of people served. There is flexibility in the high-quality intervention used or approach taken by the provider in these types of contracts, which allows flexibility to adopt the strategies that will be most effective. In some cases, mission-driven private sector funders may provide up-front financing, taking on the risk that the intervention will not succeed and recovering their investment if it does.

Contracts designed to “pay for success” and emphasize outcomes have several advantages: (1) government and providers are oriented to measuring and tracking specific outcomes and valuing active performance management to ensure achievement of metrics set; (2) longer-term payment schedules support interventions that emphasize prevention over remediation more so than what is typically possible within the typical one year government budget cycle; (3) incentives are created for cost-effective interventions, giving programs the flexibility to focus on the most effective strategies; and finally, (4) fewer resources are wasted on bureaucratic elements such as compliance reviews of rules and regulations so more funds can go to program delivery.

Pay for Success Examples

There are a number of examples of Pay for Success Contracting in use across the United States. The first ever example is from New York City and their effort to bring an evidence-based intervention to the young men served in the Rikers Island jail to impact the staggeringly high recidivism rate amongst those who enter the jail’s doors. Though this first example ended early, we believe it is an example of successful application of Pay for Success Contracting because: (1) an innovative approach to solving a social problem was funded and evaluated, (2) government did not pay when it was shown not to work, and (3) the project stopped quickly once it was clear it was not working. Since this first example from 2012, a number of Pay for Success contracts have launched across a variety of states, counties, and cities.

The range of jurisdictions is only matched by the range of program areas of focus in these contracts. Social program areas such as Early Childhood Education, Health Care/Medicaid, Home Visiting, Workforce Development, Child Welfare, Homelessness/Housing, Criminal Justice, and Veterans highlight the wide application of this approach. For a comprehensive review of Pay for Success contract examples and feasibility studies, visit Nonprofit Finance Fund’s Pay for Success [website](#), which includes Pay for Success resources and research from across the field.

Reorienting government’s way of doing business to emphasize innovation, prevention, outcomes over outputs, disciplined use of data, and the incorporation of Pay for Success Contracting and other outcomes-based contracting methods will all help to more **efficiently and effectively** provide services to those in need. The *efficiency* is not solely related to, though does include, the potential of budget

savings. Equally important is the focus on decreasing government waste and ensuring good stewardship of taxpayer dollars, the potential to increase the number of individuals served, and the ability to achieve better outcomes and measurably improve people's lives. If the same amount of funding can achieve greater results by being allocated to more effective program models, this new approach is succeeding.

However, this new way of doing business is also about *effectiveness*—moving dollars to interventions that build and use evidence to deliver results. For example, government can provide funding for the evaluations required to build the evidence base, and for performance management systems that enable organizations to use evidence in program implementation. Government can provide financial incentives – bonus payments and the like – when programs demonstrate better than average, measurable impact. Government can also resource the infrastructure, inside and outside government and organizations, required to collect the data needed to evaluate programs and ensure the human capital is available and supported to share and analyze the data available to make decisions about effectiveness.

The Changes We Need

To move toward a policymaking environment that focuses on outcomes, incentivizes innovation, resources prevention over remediation, and increases access to and the use of data, government actions and policies should include:

- Allocating funding based on tiered-evidence frameworks that target resources to programs that have greater evidence of effectiveness;
- Resourcing innovation or R&D funds across government to develop and scale effective interventions;
- Authorizing or even mandating the use of new contracting (i.e. Pay for Success or Pay for Performance) and compliance approaches that emphasize outcomes over inputs and outputs;
- Investing in updated data systems to support data analysis and the sharing of data to decrease the cost of and increase the ability to conduct evaluations;
- Allowing access to and greater use of existing (administrative) datasets;
- Resourcing evaluations as a core element of the receipt of discretionary, mandatory, and even entitlement funding; and,
- Hiring individuals within government and incentivizing the hiring of individuals within service organizations who have knowledge in data collection and analysis, program evaluation, and continuous quality improvement.

All of these are critical changes we need to establish a policymaking environment that values outcomes and evidence. Succinctly, a core criteria policymakers should use when making decisions about what legislation to pass and what funds to appropriate is whether a program, as a key element of its work, tracks data and measures impact or if it supports efforts to study and test the use of Pay for Success and other outcomes-based contracting approaches that emphasize outcomes over inputs and outputs and that are focused on measurably improving people's lives. It should be acknowledged that considering evidence and outcomes may not be appropriate when making every policy or funding decision because

some programs are not easily measured and yet still provide social value. However, there is absolutely room for improvement from the status quo and America Forward is offering the following policy proposals to help advance the movement towards an evidence-based policymaking environment.

Specific Policy Proposals

The following reflect policy ideas generated by America Forward that help to translate the approach of evidence-based policymaking into practice. They include both potential Administrative and Congressional actions that emphasize innovation, prevention, outcomes over outputs, disciplined use of data, and the incorporation of Pay for Success and other outcomes-based contracting with the goal of measurably improving the lives of all Americans.

Many of the ideas are no or low-cost, reflecting our belief in resourcing solutions that can more efficiently and effectively steward our limited taxpayer dollars while bringing a greater focus to using evidence to drive what our government funds. The broad government reform ideas include ecosystem- or government-wide ideas that would be cross-cutting and change fundamental bureaucratic practices to focus on results, fund what works, and increase accountability for government activities. The issue area proposals are specific ways to incorporate evidence-based approaches into programs to help address the many challenges we face related to educating our citizens, employing those looking for work, and serving the under-resourced and that are imperative we find a way to address to ensure the best possible life for children, youth, and adults in communities across this country.

Broad Government Reform

Authorize Pay for Success Contracting in Federal Legislation

To move to an environment where federal funding is allocated using Pay for Success Contracting to drive limited resources to programs and interventions that can measurably improve people's lives, authority needs to be granted across federal programs and training and technical assistance to federal, state, and local governments, as well as potential providers needs to be resourced. Specific policy ideas for Congress to advance to achieve this include:

- Make **Pay for Success Contracting an allowable or mandatory use** of existing federal funds in all major legislation that moves in Congress. Language could be broad or indicate a specific dollar amount or percentage (%) of a formula and/or discretionary funding stream(s). Any funding used in these types of contracts should remain available until expended.
- Add limited **Pay for Success authority to existing tiered evidence funds** (cost or no-cost) to help further scale the innovations the tiered funds are proving.
- Create a **Pay for Success Incentive Fund** at the federal level to expand the piloting and use of Pay for Success Contracting. This idea has been introduced through legislation on a bipartisan, bicameral basis to create such a fund to be used to structure Pay for Success contracts, fund feasibility work, evaluations, and contribute to success payments. Continued efforts by members of Congress should be supported and advanced to ensure the passage of the

legislation and enactment of this important fund to help states and cities drive funding towards what works.

- Continue authorization and funding of the **Social Innovation Fund's Pay for Success set-aside** to advance and evaluate emerging models that align the funding of social services with evaluated social outcomes. Through this competition, states, localities, and providers can receive technical assistance in their efforts to assess the feasibility of developing Pay for Success arrangements and training on how to structure Pay for Success contracts.

Act on the Recommendations of the Commission on Evidence-Based Policymaking

Speaker Ryan (R-WI) and Senator Murray (D-WA) introduced legislation to establish a commission to study how best to expand the use of data to evaluate the effectiveness of federal programs and tax expenditures. Convened in 2016 after the successful passage of the legislation, the **Commission on Evidence-Based Policymaking** is actively engaged in making recommendations for how to use current administrative data and how to make additional administrative data available for evaluation by federal leaders and external researchers.

Create a Community Solutions Tax Credit

In order to scale high-quality community-based organizations and leverage the power of innovative social entrepreneurial organizations, a **Community Solutions Tax Credit** authorized by Congress would incentivize investments from private sector funders across the country that have developed highly sophisticated systems for identifying promising solutions to community problems and for funding their expansions. The use of a tax credit rather than appropriated funding offers greater potential for scale and sustainability, creates less bureaucracy, and puts the decisions for investment in specific organizations in the hands of these funders instead of the government.

Establish a Cross-Agency Research and Development Innovation Lab

Modeled after the Defense Advanced Research Projects Agency (DARPA), and created through legislative action, a **Cross-Agency Research and Development Innovation Lab (CARD Lab)** would engage across sectors to seed early-stage innovation, identify promising solutions, and rapidly test new social service approaches. The mission of the CARD Lab would be to serve as a nurturing environment for creativity to cultivate solutions needed to address challenges in child welfare, criminal justice, education, health care, homelessness, workforce and job training, etc. Using critical special statutory hiring authorities and alternative contracting vehicles, the CARD Lab could identify, recruit, and support individuals who are experts in their fields, whether issue area specific or related to data, evaluation, and statistical analysis, to work for periods of time on specific problems of interest or importance. Focus would be placed on evaluation of the innovative solutions developed and ensuring a feedback loop to Congress and authorizing federal agencies to help inform and influence policy and programmatic decision-making.

Promote the Use of Agency-Wide Waivers through Administrative Guidance and Support

Waivers enable federal agencies to demonstrate, replicate, and scale innovative interventions and can

incorporate Pay for Success and other outcomes-based contracting approaches. We have suggested application of such waiver authorities in different major federal programs, listed below.

- **Opportunity Youth Workforce Development Program Innovations:**
WIOA continues the broad WIA waiver authority for promoting innovations including outcomes-driven approaches to opportunity youth workforce development.
- **Job Corps:**
WIOA continues the broad WIA waiver authority that could be used to test Pay for Success-type strategies aimed at improved outcomes for participants and to ease administrative difficulties plaguing the program.
- **WIOA Programs:**
WIOA continues the availability of the WIA's broad waiver authority for promoting innovations including outcomes driven approaches to workforce development.
- **TANF and WIOA Concurrent Waivers:**
Solicit state waiver requests for TANF- related early childhood education/childcare (SSA Section 1115 Waiver) and WIOA adult training and job placement/retention (as referenced above) programs.
- **TANF Training/Education Waiver Initiative:**
Use the SSA Sec. 1115 waiver authority to offer TANF training/education providers partial payments for participant persistence and skills attainment and the balance of their full fixed payment if the Pay for Success participant is placed in a job whose wages are at least 10% greater than the participant's TANF benefit, within 13 months of starting in the Pay for Success program.
- **Medicaid/CHIP Waiver Initiative:**
Use the SSA Section 1115 Medicaid Waiver Authority to create Pay for Success transactions as part of federal and state efforts for healthcare delivery system and financing reform.
- **Senior Community Service Employment Program (SCSEP) Mature Worker Rapid Reemployment Initiative:**
Use the Older Americans Act (OAA) Sec 502(e) waiver/demonstration authority for addressing the "new poor" older workers in the SCSEP program.

Improve Data Access and Use and Support Evaluations

Access to, standard definitions of, and resources to engage in measurement and evaluation of data are crucial to ensure social services are achieving impact and measurably improve people's lives. Investments in and common practices around data and evaluation are needed to achieve this goal. Below are both Administrative actions and Congressional measures that would support this critical element of evidence-based policymaking.

- Subject to appropriate privacy protections, the Federal government should amend law, regulations, and access protocols to permit federal, state, and local workforce and education agencies, state and local workforce boards, nonprofit workforce development organizations,

social enterprises, and post-secondary institutions certified by the Department of Education for participation in Title IV of the HEA to have **access to the National Directory of New Hires and to Unemployment Insurance Wage Records**.

- The Department of Labor, in consultation with the Departments of Education and Health and Human Services, should establish for all federal workforce education and training programs a **uniform definition of job placements**, recognizing the changing nature of work in our economy, and an **accurate methodology for calculating job placement rates** of program participants. DOL should incorporate into such definition and calculation methodology appropriate consideration for placement of certain participants in transitional employment, career-related internships, youth corps, post-secondary education, and social enterprise employment designed to create a bridge to permanent employment for individuals (including opportunity youth) disconnected from the workforce.
- Allow for low-or-no cost access to existing **public sources of data** (“administrative data”), subject to appropriate privacy protections, provide technical support and needed resources to states and localities looking to improve access to administrative data, and study the emerging science to identify a next-generation set of metrics to more completely evaluate the success of federal programs.
- **Advance tiered evidence grant making** by enabling federal discretionary grant programs to advance what works by deploying funds based on tiered evidence models. Tiered evidence models provide larger grants for greater amounts of evidence.
- Encourage and resource the use of rigorous, third-party evaluations, including low-cost evaluations, that use experimental or quasi-experimental design or other research methodologies that do not require random assignment, thereby ensuring that services are not denied to those who need them, but maintain control and experimental group rigor in the provision of federally funded programs through required **set-asides of specific percentages of programmatic funding for program evaluation**.

Use Federal Training and Technical Assistance Funding to Advance Focus on Outcomes

The Federal government spends billions on **Training and Technical Assistance** (T/TA) each year and in many cases the value and results are unclear. Congress could amend relevant T/TA program authorities to require that a significant portion of these resources be used to support: (1) dissemination of evidence-based practices, (2) assistance to help service providers adopt such practices or develop evidence of long-standing programs, (3) assistance to service providers to access and use data to enhance targeting of service delivery and track outcomes and improve quality of service in real time, and (4) support for communities to explore how to sustain evidence-based practices via models like Pay for Success Contracting. In many cases, Administrative regulation and guidance to agencies on the use of their existing T/TA funds could accomplish the same purpose as many of the legislative ideas noted above.

Continue and Expand Cross-Agency Demonstrations

Numerous federal programs aimed at similar goals and populations are poorly coordinated and, in some cases, work at cross-purposes. Congress should continue the current authority, known as **Performance Partnership Pilots (P3)** provided to the Departments of Labor, Health and Human Services, Education, and Justice, to establish additional pilots allowing States, localities, regions, or federally-recognized Tribes to propose pooling a portion of discretionary funds they receive under multiple federal streams as well as expand the authority to additional agencies and broaden the focus to populations of most need in local communities. These pilots could allow States, localities, regions, and Tribes to test ways of improving outcomes for various populations by allowing communities to develop comprehensive strategies to achieve better results with federal investments through multiple programs. Allowing the use of Pay for Success Contracting would ensure that these pilots test not only the impact of overcoming statutory, regulatory, and administrative requirements that may impede effective program coordination but also highlight the potential financial impact of coordinated investments in order to influence more permanent policy and funding changes across agencies.

Issue Area Specific

Career and Technical Education

The reauthorization of the Carl D. Perkins Career and Technical Education Act gives federal policymakers the opportunity to leverage the capacity of nonprofit organizations familiar with the workforce needs of local communities and innovative policy and funding models to build capacity for positive results to effectively meet the needs of future employees and employers alike. It creates an occasion to leverage the important role high school, community college, and other avenues of training can play, including through dual-enrollment or early college and apprenticeships starting in high school to foster interest in pathways and contribute to a higher likelihood of staying in school and graduating with the skills needed to succeed in the professional world. It provides a key moment to continue to open doors that create multiple pathways and support individuals who seek additional training, credentials or credit hours to achieve their career goals and equip them with the skills for the jobs of today and the future. For more details about America Forward's Career and Technical Education policy ideas, please read our CTE platform.

Child Welfare

Our child welfare system consists of services designed to ensure that children are safe and that families have the necessary support to care for their children successfully. At the federal level, policy includes support for a continuum of services with the majority of funds allocated specifically to the provision of foster care services. Unfortunately, federal child welfare policy does not incentivize innovation or focus funding on what has proven to work or programs that are supported by evidence—the majority of federal funding allocated to support foster care is an example of this disconnect. Congress made a concerted effort in 2016 to advance legislation to bring greater evidence into child welfare practice but was unsuccessful in passing the legislation. **Key provisions of that legislation, along with new policy ideas such as establishing innovation funds in areas of child welfare policy like the Chafee Independent Living Program**, are imperative for transitioning the system to one focused on paying for placements to one that pays for outcomes.

Criminal and Juvenile Justice

There are over two million people in the American criminal justice system every day, giving this nation the highest incarceration rate in the world. There needs to be a national commitment to use research-based programming that helps prevent placement into the system and rehabilitates those who have or are interacting with the system to address the alarming fact that over half of all people who are released from prison commit another crime within three years.^x Policies that could help reframe our criminal justice policies to fund what works include:

- Continue support for **Second Chance Act Program**, which provides grants to establish and expand adult and juvenile offender reentry programs to reduce recidivism and help those exiting the justice system to rejoin their communities and lead productive lives, including **\$20 million for Pay for Success** projects to provide awards for supporting housing using performance-based metrics.
- Supports states and localities in using data-driven approaches to improve public safety, reduce corrections spending, and to reinvest savings in effective strategies to decrease crime through **continued funding of the Department of Justice’s Bureau of Justice Assistance Justice Reinvestment Initiative**.
- Ensure the continuation of the **Department of Housing and Urban Development and Department of Justice’s Permanent Support Housing Pay for Success Demonstration**, which is focused on providing communities with additional resources to prevent returns to homelessness and reduce recidivism among the reentry population.
- Create a **certification process** for existing effective non-profit recidivism reduction programs that have established through internal and external evaluations that they are evidence-based and effective at reducing and mitigating offender risk and recidivism. With this certification, these programs can receive recidivism reduction-specific funding that can be allocated based on a Pay for Success contracting approach.

Elementary and Secondary Education

The **Every Student Succeeds Act** (ESSA), which passed in 2015, placed significant emphasis on evidence, data, and evaluation. By one measure, the phrase ‘evidence-based’ was used 57 times in the law. From definitions, to required use provisions, and incentivizes in grants, there is great opportunity to advance innovation and an outcomes-based agenda in the elementary and secondary education space. Support will be needed to help state and local education agencies take advantage of these opportunities, Congress will continue to need to support and resource these authorities, and reform will be required for areas where the system is still not aligned with an outcomes-based agenda. For more details about America Forward’s K-12 Education policy ideas, please read our [K-12 Education platform](#).

Health Care/Medicaid

As the health care landscape continues to shift toward Value Based Payment models and investment in

social determinants of health such as housing, which can improve outcomes and result in cost savings, evidence-based policies, including Pay for Success Contracting, can serve as a valuable tool to align and further such efforts. One way the Centers for Medicare and Medicaid Services (CMS) could support this movement would be to issue an informational bulletin, highlighting evidence-based policies and practices, including Pay for Success Contracting and the ways that states can allow these mechanisms to assist in the transition to Value Based Payment models.

Higher Education

The **Higher Education Act** is up for reauthorization and this provides an opportunity for reforming our country's approach to post-secondary education in order to close the opportunity gap and help build a clear path to college and career success for all of today's students. To achieve these realities, federal policies must embrace innovation, promote competency, and reassert a focus on outcomes that reflect the needs of the full spectrum of individuals seeking a post-secondary degree or credential. For more details about America Forward's Higher Education policy ideas, please read our [Higher Education platform](#).

Housing/Homelessness

Affordable rental housing is typically defined as rental housing where a household is paying no more than 30% of their income towards rent. Unfortunately, there are over 11 million low-income renter households across the country that are paying more than half of their monthly income towards rent, making it difficult to pay for other expenses, such as food, medical care or child care. Homelessness is also on the rise, with lack of affordable housing being the leading cause – more than unemployment, poverty, or low-wage jobs.

In dozens of studies across the country over the last 20 years, supportive housing has been repeatedly proven to be an effective intervention that improves housing stability, reduces the use of expensive crisis care, and improves outcomes even for the most vulnerable individuals with complex needs. Many of the individuals and families whose outcomes can be improved through supportive housing are interacting with and incurring high costs across multiple systems of care, making it difficult to capture sufficient savings in one system alone to justify the costs of the intervention. There are a number of evidence-based policy approaches that offer the opportunity to take public resources that are currently being spent without achieving positive outcomes in care for our most vulnerable neighbors, and reinvest them in affordable housing and supportive services. Initiatives such as the **Department of Housing and Urban Development and Department of Justice's Permanent Support Housing Pay for Success Demonstration**, which is focused on providing communities with additional resources to prevent returns to homelessness and reduce recidivism among the reentry population, should continue to be supported and other parallel policies that offer concrete opportunities for government to partner with local communities to improve outcomes should be considered.

National Service

National service has played an important but poorly understood role in developing America's workforce in three ways: (1) providing "bridge building" work experience to youth and young adults; (2) providing a reliable employment pathway to the nonprofit sector and other sectors; and, (3) building the supply of

volunteers available to assist others in preparing for and finding employment. Efforts should be supported and advanced that increase opportunities for individuals to engage in national service with the focus on developing skills the needed to achieve the long-term desired outcome of workforce engagement, that continue to resource evaluations to measure the impact of national service, and that explore other ways for agencies to harness the use of national service to more efficiently and effectively achieve their agency's objectives.

Veterans

In the United States, there are roughly 22 million veterans and each day over 1,300 military veterans, spouses, and children transition out of the military. It is an unfortunate reality that a number of veterans report having difficulty transitioning to civilian life, and specifically, veterans between the ages of 18 and 34 experience unemployment rates higher than the civilian unemployment rates for the same age groups. Ensuring our veterans receive services that are of the highest quality should be central to decisions made about programs funded and interventions provided to them. To provide for a **more innovative and effective delivery of benefits and services to veterans**, legislation could:

- Support the use of **Pay for Success Contracting** in grants, contracts, or cooperative agreements awarded by the Secretary of Veterans Affairs.
- Authorize an **innovation fund** at the Department of Veterans Affairs that supports testing of new programs or that helps scale up evidence-based programs.
- Establish **demonstration pilots** that resource cost-effective strategies for the provision of services to veterans at the State, regional, or local level that involve two or more federal programs to improve the education, job training, and employment outcomes for veterans.

Workforce Development

Through passage of the **Workforce Innovation and Opportunity Act** (WIOA) in 2014, greater focus was placed on measuring performance based on outcomes and incentivizing the use of contracting structures that emphasize impact over inputs and outputs. States and localities need continued guidance and technical assistance to help them take advantage of these changes and there is also need for continued reform to align with the entire federal workforce system to support people facing barriers to employment and to help put them on a pathway to self-sufficiency. For more details about America Forward's Workforce Development policy ideas, please read our Workforce Development platform.

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- ⁱ <https://www.theatlantic.com/magazine/archive/2013/07/can-government-play-moneyball/309389/>
- ⁱⁱ Press Release, America's Promise Alliance, 28 Apr. 2014, <http://www.americaspromise.org/news/2014-building-gradnation-report-released>.
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- ^v Jacquelyn Rivers, "Improving Criminal Justice and Reducing Recidivism Through Justice Reinvestment," Bureau of Justice Assistance, August 2011, http://www.ojp.usdoj.gov/BJA/pdf/JRI_FS.pdf.
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- ^{viii} Jacquelyn Rivers, "Improving Criminal Justice and Reducing Recidivism Through Justice Reinvestment," Bureau of Justice Assistance, August 2011, http://www.ojp.usdoj.gov/BJA/pdf/JRI_FS.pdf.
- ^{ix} <http://www.bls.gov/news.release/pdf/jolts.pdf>
- ^x Jacquelyn Rivers, "Improving Criminal Justice and Reducing Recidivism Through Justice Reinvestment," Bureau of Justice Assistance, August 2011, http://www.ojp.usdoj.gov/BJA/pdf/JRI_FS.pdf.

Support for the America Forward Pay for Success Policy Platform



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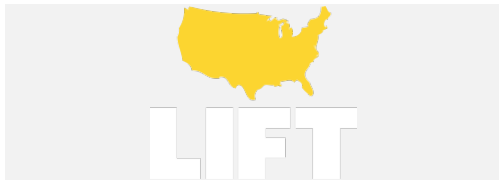
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Pay for Success Lab



A handwritten signature in black ink, reading "Gerald Chertavian".

Gerald
Chertavian

Founder and CEO
Year Up



A handwritten signature in black ink, reading "John Valverde".

John Valverde

Chief Executive
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A handwritten signature in black ink, reading "Patrick Lawler".

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