June 27, 2022

Ms. Catherine Wolfram
Deputy Assistant Secretary of Climate and Energy Economics
Office of Economic Policy
U.S. Department of the Treasury
1750 Pennsylvania Avenue, NW, Suite 8100
Washington, DC 20220

Dear Ms. Wolfram:

I am writing to you in response to the Treasury Department's Office of Economic Policy solicitation for public comments regarding the application, evaluation design plan, reports, and recordkeeping forms to be used for the Social Impact Partnerships to Pay for Results Act (SIPPRA) published on April 26, 2022.

On behalf of New Profit and America Forward, we appreciate the Department of the Treasury's interest in engaging stakeholders regarding the implementation of a second cohort of projects under SIPPRA. As you know, America Forward and our America Forward Coalition partners have been closely engaged in the development and implementation of SIPPRA; and we are enthusiastic about the prospects of the program's continued implementation to both benefit diverse communities as well as serve as a model for pay for success projects across the nation.

We want first to applaud the clarity provided in the notice, including the program's purpose and improvements to the process. We sincerely appreciate the Department's recognition that Congress intended for SIPPRA to be a demonstration program, such that supporting an array of strategies and approaches in the second NOFA and comparing them to those under the first NOFA is consistent with congressional intent.

We also appreciate the Department's expanded guidance and resources to prospective applicants, especially around evaluation plan designs, causal impact measurement requirements, and quasi-experimental design criteria. This expanded guidance will make for a more seamless application process and improve the Interagency Council's application review time. Furthermore, adopting a benefit-cost model for the valuation methodology not only aligns with the program's original intent but also broadens the range of access to the program. Finally, Treasury's plans for an improved application review process informed by stakeholders and other Federal agencies are incredibly vital to the success of the program.

As you look toward a second Notice of Funding Availability (NOFA), we appreciate the invitation to provide additional feedback as the Department hones its approach. While the SIPPRA grants in the first round have supported a terrific set of projects, the application process was very challenging and, in some ways, inconsistent with congressional intent for the program. We and our partners have seen that challenges with the administration of the program with the first cohort created a substantial burden for applicants, delayed service delivery, excluded several strong finalists, and ultimately limited the potential for SIPPRA to establish a model for the pay for success movement.

We offer several recommendations to strengthen the program, building on lessons from the first cohort and informed by the Treasury's explained intent of the second NOFA. First, we offer the Department further suggestions on the evaluation and value provisions to ensure implementation is consistent with congressional intent and fully leverages the program's potential to support a diverse array of programs in a range of communities. Second, we suggest several reforms to the application process that we believe will expand the pool of potential grantees, reduce the burden for applicants, and ultimately accelerate service delivery supported by SIPPRA. Finally, we offer a response to the question regarding application timing posed in the notice for public comment. We believe these specific improvements will enable the Department to build on the tremendous projects funded in the first cohort.

1. Further Recommendations to The Treasury's Planned Revisions

We suggest the Department address inconsistencies with the statute from the first NOFA to ensure implementation is consistent with SIPPRA's intent in two primary areas: how Treasury determines the "federal value" that projects provide and the evaluation requirements.

Valuation Determinations

We commend the Treasury for recognizing that "federal value" derived from SIPPRA project interventions includes not only savings and revenue gains by the federal government but a broader reflection of participants' outcomes.

The definition of "federal value" is of critical importance: because the statute requires the Department to consider federal value as the basis for outcome payments under SIPPRA; therefore, different methodologies may effectively exclude some projects or may make them economically infeasible. Indeed, the 2019 NOFA narrowly focused on changes in federal savings and revenues, as opposed to a broader conception of value that participants and society might experience from a program. The NOFA defined the value of outcomes to the federal government as "the sum of (1) savings to the federal government and (2) increased federal revenues as a result of the project, over a period not exceeding the intervention period."[1] This calculation substantially limited the scope of payments—and, in turn, the projects that could qualify for funding—contrary to the statute's intent. Furthermore, that definition restricted eligible outcomes to those realized after the intervention had ended. This disincentivized many shorter-term programs that could have had substantial long-term impacts if applicants could have counted those post-intervention impacts towards payments. The SIPPRA statute, however, allows payments for outcomes demonstrated over a period of up to 10 years (in comparison with the 7½-year performance period under the 2019 NOFA).

As the Department has proposed, we believe an approach focused on value as opposed to savings alone is more consistent with the statute's plain language as well as what legislators intended. This approach also broadens access to the program to a wider range of potential projects and communities by enabling a greater scope of reimbursement than payments solely linked to savings. In several ways, the SIPPRA statute emphasizes *value*, not simply savings—in fact, the purpose section of the statute discusses efficiency and effectiveness of spending and does not mention savings at all.[2] In addition, SIPPRA requires that the Department base federal pay for success

[1] 2019 NOFA at page 39.

[2] Section 2052 of the Social Security Act, 42 U.S. Code Sec. 1397N, https://home.treasury.gov/services/social impact-partnerships/sippra-pay-for-results/sippra-legislation.

payments on “value,” not “savings,” providing that payments “for each specified outcome achieved as a result of the intervention” shall be “less than or equal to the *value* of the outcome to the Federal Government over a period not to exceed 10 years, as determined by the Secretary, in consultation with the State or local government.”[3]

As the Department considers a new valuation methodology, we strongly recommend that the Department be sure to take an expansive consideration of what “value” entails– including the consideration over the value provided over the full 10-year period that the statute allows, as opposed to the 7.5-year performance period under the 2019 NOFA. In addition, we recommend that the Department provide examples of the types of value that the Department will consider in the second NOFA.

Evaluation Requirements
We are grateful that Treasury is considering feedback and recommendations regarding the requirements for evaluations from other Federal agencies and stakeholders.

We encourage the Department to consider changes to its application process that reduce the upfront burden on applicants regarding evaluations. Applicants in the first round were essentially required to write a complete pre-analysis plan as part of their application and then repeatedly amend it as agency staff requested changes, necessitating hundreds of additional, uncompensated hours of effort at the outset. It may be helpful, for example, to include a negotiation period once the Department has sufficient information to make a threshold determination on the evaluation design. Otherwise, we are concerned that applicants may not be willing to risk submitting new applications after their experiences from the first round.

In addition, we strongly recommend that Treasury refine its application criteria regarding acceptable quasi-experimental designs to enable a wider range of communities to participate in the program. While the 2019 NOFA allowed applicants to propose quasi-experimental designs if randomized evaluations were not feasible—as the statute allows—in practice, applicants found it difficult to justify projects that did not use a randomized design. We propose that Treasury demonstrate more openness to other study designs that could provide the “reliable, evidence-based” estimates of impact, as the SIPPRA statute provides.[4] For example, a randomized trial is not appropriate if doing so would require programs to deny services to participants who would otherwise be served. This approach would also be more consistent with legislators’ intent for the program as well as practice in the pay for success field. Evaluations for the purpose of determining payments for pay for success projects can be structured differently than evaluations performed for the purpose of identifying programs’ potential to sustain impacts if scaled elsewhere.

The first cohort involved extensive back-and-forth between many applicants and the Department regarding their evaluation designs, which more specific guidelines could have addressed. For example, in conversations with applicants, we understand that Treasury officials emphasized specific standards for statistical significance regarding impact estimates, which the 2019 NOFA did not describe. We are aware of one project that the Department ultimately declined to fund after nearly three years of review, apparently because the Department did not believe the project’s evaluation

[3] Section 2053 of the Social Security Act, 42 U.S. Code Sec. 1397N-2(c).
[4] Section 2056 of the Social Security Act, 42 U.S. Code Sec. 1397N-5(a)(8).

design would measure causal impacts. While the 2019 NOFA cited the U.S. Department of Education's guidance around its EDGAR evidence standards in a footnote, more clarity around these requirements would help applicants address such questions at the outset.

2. Recommendations Not Addressed in Treasury's Planned Revisions

Building on lessons learned from the first cohort, we suggest that Treasury make several additional changes that would strengthen the application and review process. First, we recommend that Treasury take these steps regarding the SIPPRA review process:

- *Engage Interagency Council.* SIPPRA requires that the Federal Interagency Council on Social Impact Partnerships certify multiple elements of projects before Treasury may approve the applications, including projects' projected federal savings (if expected), access to federal data, and use of reliable evaluation methods. Treasury and OMB should ensure the Interagency Council is more closely engaged from the start of the process, as lags in interagency review appeared to have been a major contributor to the overall delays. All agencies should identify lead officials, a clear timeline for their participation, and a plan to provide access to federal data.
- *Strengthen threshold reviews*. If a project does not meet the core requirements, it would be a far better use of applicants' time—and that of the SIPPRA Commission and other agencies— to know that at the outset instead of years down the line. Moreover, if Treasury would not approve a project unless the applicants made a significant change, it would be preferable for the Commission to review the version of the project that would ultimately be approved.
- *Ensure dedicated staff capacity.* SIPPRA sets aside up to $2 million for the administration of the program, and we suggest ensuring that the agency has dedicated staff capacity to provide for an expeditious review process.

Second, we suggest that Treasury take additional steps to support applicants and to expand the pool of potential participants:

- *Fund feasibility projects.* We believe that, if possible, under the statutory timeline, feasibility grants would be a valuable step to expand the pool of potential applicants beyond those with shovel-ready projects or those with immediate capacity to develop applications. In particular, feasibility grants could enable projects in communities that have not participated in pay for success to date or with types of interventions that have not been widely supported through pay for success models in the past. SIPPRA allowed (though did not require) Treasury to allocate up to $10 million for such projects, and it has not yet issued a NOFA.[5] In addition, the SIPPRA statute provides that Treasury can only fund up to 50 percent of the total cost of a feasibility study.[6] To expand access, we recommend that Treasury clarify that the remaining 50 percent of costs can be accounted for by in-kind expenses, including staff time by current State and local employees and time donated by partner organizations.
- *Offer webinars and Technical Assistance (TA)*. SIPPRA projects involve a serious time commitment from applicants. We strongly recommend that Treasury offer webinars walking potential applicants through the program's specific requirements, addressing lessons

[5] Section 2054 of the Social Security Act, 42 U.S. Code Sec. 1397N-3(d)(2).
[6] Section 2054 of the Social Security Act, 42 U.S. Code Sec. 1397N-3(d)(1).

learned from the first cohort, and allowing substantial time for Q&A. In addition, we suggest that Treasury consider options to offer TA to support applicants' project and evaluation design, ensuring that not only communities with research capacity immediately on-tap can apply. Treasury should also consider engaging with philanthropy to help support applicants and build capacity, as federal agencies have done in the past.[7]

3. Application Timeline

Given the complex structure of SIPPRA projects, we would like the Department ito provide more advanced notice to allow more communities to participate once the Treasury has determined the timing for the next round of grants. As such, Treasury should consider providing an earlier forecast to potential applicants as other agencies, such as the U.S. Department of Education, regularly do.[8]

Treasury's first SIPPRA NOFA provided for three months' time for applicants to submit proposals, even though it required complex calculations of federal cost savings and revenue generated and a comprehensive evaluation plan. It is a testament to the field's interest; the capacity and skill of intermediaries to arrange these deals; and the determination and creativity of governments, service providers, and financing partners that 21 SIPPRA applications were submitted to that NOFA. So long as the Treasury incorporates the recommendations above – broadening the view on valuation and allowing more flexibility in the evaluation design – then three months should be sufficient time for applicants to collect materials. However, it is important to note that these two aspects were the two most burdensome details for applicants in the first NOFA. We recommend that Treasury consider this when finalizing the second NOFA.

Thank you in advance for reviewing these recommendations. We would appreciate an opportunity to meet with you and your team in the near term as you continue to develop plans to launch a second round of SIPPRA grants. We look forward to working together to advance evidence-based policies, outcomes-driven financing strategies, and social innovation in the years to come.

Sincerely,

Chase Sackett
Policy Director
America Forward

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[7] For instance, in 2015, the Rockefeller Foundation partnered with HUD to launch the National Disaster Resilience Competition for nearly $1 billion in funding. Rockefeller funded Resilience Academies to help communities build capacity and craft their proposals.

[8] See, e.g., U.S. Department of Education, "Forecast of Funding Opportunities under the Department of Education Discretionary Grant Programs for Fiscal Year (FY) 2022," https://www2.ed.gov/fund/grant/find/edlite forecast.html?src=ft.