

**MOTION BY SUPERVISOR MARK RIDLEY-THOMAS
AND DON KNABE**

NOVEMBER 27, 2012

Expanding the Just in Reach Program Through Pay-for-Success

“Pay-for-Success” is a concept that was implemented in the United Kingdom and is being piloted in parts of the United States as a mechanism to fund programs that achieve sustainable social outcomes. “Pay-for-Success”, also referred to as a Social Impact Bond (SIB) and “Pay-for-Performance”, creates a public/private partnership among government agencies, social service providers, and philanthropic investors to fund evidence-based social programs particularly in the areas of education, justice, health, and human services. Over two-thirds of the County of Los Angeles’ (County) total annual expenditures are for health, human services, and public safety. As a result, this concept of rigorously measuring program outcomes and only funding and expanding programs that have demonstrated success could deliver both significant savings to the County’s taxpayers and substantial benefits to the individuals and families that receive County services.

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MOTION

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The County has a unique opportunity to pilot Pay-for-Success with the Los Angeles County Sheriff Department's Just in Reach (JIR) program. With the passage of AB109, the jail system is facing a major financial, programmatic and logistical challenge as persons convicted of non-serious, non-violent, and non-sexual crimes are being sentenced to county jails instead of State prisons. Many of these individuals are homeless or at risk of homelessness. The Sheriff's JIR program focuses on the hardest to serve homeless repeat offenders who have been incarcerated three times within a three-year period with three episodes of homelessness in five years. The program has a proven track record of helping participants build stable lives. JIR is a public/private collaboration led by the Sheriff's Community Transition Unit (CTU), and includes a broad array of non-profit agencies that provide employment assistance, mentoring, alcohol and drug treatment, mental health services and placement in temporary and permanent housing. The recidivism rate for JIR program participants is 34% compared to the County jail general population recidivism rate of 70%. The data demonstrates that housing just 250 high needs former inmates upon release could avoid as much as \$370,000 per month in County jail, health, social service and other program costs. Targeting 250 inmates could result in a cost avoidance of \$2.1M per year to the Sheriff's Department alone.

Private philanthropic funders, including the Conrad N. Hilton Foundation, have expressed an interest in investing funds to expand the JIR program through a Pay-for-

Success type contract with Third Sector Capital Partners, a leading nonprofit expert in social innovation financing. A Pay-for-Success contract would require the establishment of performance objectives and the rigorous measurement of outcomes, and provide that government make “success payments” only when the defined objectives are achieved (e.g. the one year recidivism rate for the 250 participants is 34% or less). By leveraging philanthropic funding, the County would be in a position to strategically utilize its revenue to expand a program that has demonstrated success, as opposed to incurring the risk of up-front investment.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS: Direct the Chief Executive Officer and County Counsel, in conjunction with the Sheriff and the Directors of the Departments of Probation, Mental Health and Public Health to **examine the feasibility of implementing a** ~~develop a proposed~~ Pay-for-Success contract which would leverage philanthropic funding, in consultation with Third Sector Capital Partners, to expand the Just in Reach program to serve 250 additional persons a year and report back to the Board within 60 days. The report should identify changes to County fiscal, contract, and other policies and procedures that would be required for implementation. The ~~proposed~~ **report** ~~pay for performance contract~~ should:

- A. **Reflect the leveraging of** ~~Leverage~~ philanthropic funds for the initial financing of the expansion;

- B. Include a budget and delineate all financial requirements, including any initial and ongoing County investments;
- C. Identify outcomes and metrics to be tracked and evaluated and specify the evaluation mechanism; and
- D. Include a clear scope of work which identifies the program beneficiaries, lead agencies, mutual responsibilities and the housing and services delivery and outreach strategies to be used.

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WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

Chief Executive Officer and County Counsel in conjunction with the Sheriff and the Director of the Department of Probation, Mental Health and Public Health to examine the feasibility of implementing a develop-a-process Pay-for-Success contract which would leverage philanthropic funding, in consultation with Third Sector Capital Partners to expand the Just in Reach program to serve 250 additional persons a year and report back to the Board within 90 days. The report should identify changes to County fiscal contract and other policies and procedures that would be required for implementation. The proposed report pay-for-success contract should:

A. Reflect the leveraging of leverage philanthropic funds for the initial financing of the expansion.