



# America Forward: Workforce Development, Pay for Success and Social Enterprises

SOCIAL ENTERPRISE FOR JOBS WORKING GROUP WEBINAR

DECEMBER 10, 2014

# About America Forward

- **Who we are:** Nonpartisan policy initiative at New Profit Inc. that connects policymakers and innovators with high-impact organizations that get results
- **What we do:** Advance a public policy agenda that champions innovative and effective solutions to our most pressing social problems.
- **What we believe:** Innovative policy approaches that 1) foster innovation, 2) reward results, 3) and catalyze cross-sector partnerships can transform local results into national change.
- **Our vision for government's role:**
  - Rewards what works
  - Recognizes that organizations matter
  - Reaches across sectors

# Workforce Innovation and Opportunity Act (WIOA)

On July 22<sup>nd</sup>, President Obama signed the Workforce Innovation and Opportunity Act into law

## Important changes in the new law for the Social Enterprise community:

- Restores states overall portion of formula funds to 15% (about \$390 million) and allows Governors to have significantly more funding for innovative statewide activities. States could use such funds for Pay for Success approaches.
- Creates a permanent authority within all three WIA formula funding streams (Adult, Youth and Dislocated Workers) for Pay for Performance as an eligible use of WIA funds. Local workforce boards can devote up to 10% of funding across all three WIA formula funding streams for Pay for Performance.
- Allows use of non-federal resources and WIOA funds to incentivize the use of Pay for Performance and provide support to help the local workforce areas implement these strategies.
- Makes new service providers eligible for Pay for Success contracts. This includes innovators such as intermediaries, community based organizations, and others.
- Provides states and localities the opportunity to establish straightforward and simplified outcome goals different from past arrangements.
- Eliminates the 'sequence of services' provision and merges 'core and intensive activities' into combined 'career services.'
- Directs more resources toward programs that support disconnected/opportunity youth.

# Pay for Success

**Definition:** A performance-based contracting arrangement between government and a social service provider in which impact is measured rigorously for ‘high bar’ outcomes and government may only pay when results are achieved within a specific timeframe.

## Current Federal Pay for Success Legislation/Law:

### *Treasury Incentive Fund Legislation*

- Bi-partisan, bi-cameral legislation that would create a federal fund to promote a variety of pay for success approaches and also test social impact financing or pay for success strategies across a variety of sectors (“Social Impact Bond Act” in the House and “Pay for Performance Bill” in the Senate”)

### *Social Innovation Fund Pay for Success Grants*

- Recently awarded grants to eight organizations totaling \$12 million in investments to advance and evaluate emerging models that align payment for social services with verified social outcomes

### *Performance Partnership Pilots (P3) for Disconnected Youth*

- Unique funding opportunity to test innovative, cost-effective and outcome-focused strategies for improving results for disconnected youth

### *Second Chance Act*

- Through the Department of Justice, Second Chance Act grant funds can be used as a portion of working capital to pay for direct services or to reimburse for outcomes achieved during the grant project period