 **SENATOR STEVE WILSON**

Ohio’s 7th Senate District

**Senate Finance Committee**

**Senator Steve Wilson**

**May 21nd, 2019**

**Senate Bill 122**

Good afternoon Chairman Dolan, Vice Chair Burke, Ranking Member Sykes and members of the Senate Finance Committee. Thank you for allowing me to provide sponsor testimony on Senate Bill 122, which establishes a pay for success contracting program in Ohio.

As policymakers, we are often asked to provide upfront funding for programs that have little evidence of effectiveness. The pay for success model requires data collection to confirm desired outcomes are achieved first before public sector support is given to such projects.

Issues such as infant mortality and addiction have distressed our communities here in Ohio, costing thousands of lives and billions of dollars in healthcare, foster care, jails, and other services. By leveraging private sector resources and innovation through investment approaches, we can ensure our resources are better used to improve outcomes and save lives.

In the pay for success model, private sector dollars are leveraged to initiate a project rather than public sector dollars. That private sector investment is backed by a performance contract with the government. Our goals as policymakers become performance objectives that are included in those performance contracts with project participants. The performance contracts specify what results must be achieved during a set period of time in order to grant public sector funding support. In addition, an independent third party data validator serves to ensure that project results meet the requirements of the performance contract.

If project results meet the performance objectives, contracts generally stipulate that public sector dollars will pay back the project participants at a level that would allow some return on investment be paid to the private sector investors. If a project fails to meet the contracted objectives, taxpayers do not pay for the project and the private sector partner is left to bear the project’s costs.

Ultimately, the pay for success model diverts risk away from taxpayers by first ensuring measurable outcomes are achieved. It helps us allocate scarce resources to projects that we know get results. Many times, objectives in the contract stipulate that results must lead to government savings, which help pay for the projects themselves and generally help build efficiencies in government.

SB 122 establishes an independent fund under the State Treasurer where state and local governments can appropriate dollars specifically for backing pay for success contracts. In addition, the Treasurer’s office serves as an independent facilitator and fiscal agent for issuing contracts based on policymaker objectives. This component ensures that independent and transparent data validation of successful outcomes can take place.

The pay for success model would bring private sector innovation to meet some of Ohio’s biggest challenges. Rather than paying for unproven services and hoping for good results, pay for success contracts would empower policymakers at the state and local level to invest in programs that they know will be a good use of public funds, address the issue at hand, and ultimately save taxpayer dollars.

I would also like to note that my office is in the process of drafting an amendment that makes a few changes to this legislation:

First, the amendment would change the funds contemplated within the bill to custodial funds. By having a custodial fund, the Treasurer will be able to ensure that funds are dedicated to projects are not mixed up with funds in the State Treasury, creating more confidence that funding for a dedicated project will be protected.

Second, since the pay for success model is new on both a national and state level, a change would be needed to give the Treasurer’s office broader authority in order to evolve with this model.

Finally, the amendment would tighten the language regarding when repayment can occur. We want to ensure that performance targets are met and verified by the independent evaluator before repayment in order to safeguard taxpayer dollars.

The pay for success model has already earned the support of stakeholder groups across the state, including the Ohio Business Roundtable, the Ohio Farm Bureau, the Buckeye Institute, the Ohio Children’s Hospital Association, Groundwork Ohio, and the Ohio Association of County Behavioral Health Authorities. In addition, the language of this bill was included in the House passed version of HB 166.

Thank you for giving me the opportunity to provide testimony on SB 122. I am happy to answer any questions at this time.