

Fiscal Estimate Narratives

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| LRB Number | 17-5218/1 | Introduction Number | AB-0007 (JR8) | Estimate Type | Original |
| Description pay for success contracting, establishment of pay for success trust fund, and making an appropriation | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

This bill authorizes the Department of Administration to contract with a private service provider for payments to provide social, employment, or correctional services to individuals. The bill also creates a non-lapsable trust fund to be known as the "pay for success trust fund," from which payments under such a contract are to be made. The balance of the fund may not exceed \$20,000,000 at any time. DOA may not execute a contract under the bill unless DOA determines that the contract is expected to result in significant performance improvements or significant budgetary savings for the state or a local governmental unit if the contract objectives are achieved. Additionally, each contract under the bill is subject to approval by the Joint Committee on Finance and must include all of the following:

1. A requirement that a majority of the total contract payment must be conditioned on the service provider achieving certain performance measures specified in the contract toward the outcome of the contract objectives.
2. A defined objective procedure by which an independent evaluator is required to determine whether the performance measures have been achieved.
3. A schedule of the amounts and timing of payments to be earned by the service provider during each year or other specified period of the contract.

The bill also requires the Departments of Health Services, Corrections, Children and Families, and Workforce Development to submit, after study, reports to the legislature concerning the programs those departments administer and advise whether and how the kind of contracting provided for under the bill could be utilized as an alternative to current funding models for those agencies' provision of program services.

The Department of Corrections utilizes contracts to provide many different types of services, such as substance abuse treatment, medical services, and purchasing goods. As a regular course of business, the Department of Corrections ensures that all contracts contain performance measures and efforts are made to determine whether or not contracts meet performance standards. The Department's contracts do not currently contain "pay for success" clauses, as the bill calls for. It is unknown what affect, if any, implementation of this bill would have on the workload of the Department. In addition, it is unknown how the funds would be divided between the affected agencies.

This bill is anticipated to have no fiscal impact on the Department of Corrections. The Department does not have information to determine what fiscal impact the bill may have on local government.

Long-Range Fiscal Implications