



North Dakota House of Representatives

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Minority Leader

COMMITTEES:
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Good morning Chair Lee and members of the Senate Human Services Committee,

For the record, my name is Josh Boschee and I serve as a Representative from District 44, which comprises downtown and north Fargo.

HB 1480 was introduced as a way for the state of North Dakota to find solutions to one or more challenges facing individuals, families and/or communities throughout our state. Most government funded social services programs are designed to help people with where they are at today. To deal with the crisis in front of them so they can move forward for just one more day, week, month and at times years. The size of our state's human services budget comes from the growing issues facing individuals and families, the increased cost of housing, food, utilities, healthcare, transportation and not enough focus on prevention. As stewards of taxpayer dollars, policy makers like you and I take our job seriously of balancing ongoing and one-time revenues with not only dealing with the issues in front of us, but also building for a strong future.

I have found in my time in the legislature that we can be quick to support greater and exciting investments in physical infrastructure such as roads, water projects, buildings and pipelines, but are slow to make greater investments in our state's human infrastructure. However, over the last few sessions we have done some exciting things when you look at the success of pivoting funds that were dedicated to supporting our states prison system to investing in programs like Free through Recovery to help North Dakotans receive peer support in managing their disease of addiction and secure housing, employment and a support network committed to their success post treatment and/or incarceration.

HB 1480 introduces the concept of implementing a Pay for Success model to identify new ways of delivering services to North Dakotans, implement best practices learned locally and throughout the country and focus on accountability of contractually agreed upon outcomes before the state is responsible for funding the delivery of these services. In layman's terms committee members, we can secure most of the benefit with little to no financial risk.

Pay for Success funding has been implemented in the United States since 2013 with over 26 ongoing projects in over 13 states. The first of which was the \$9.6 million New York city Rikers Adolescent Behavioral Learning Experience (ABLE) program to reduce recidivism among nearly 4,500 formerly incarcerated 16-18 year olds. According to The Heritage Foundation's 2020 report [Pay for Outcomes: Transforming Federal Social Programs to Expand Individual Well Being](#), "policymakers would finally have solid evidence that programs either are or not working. Without evidence of positive outcomes,

service providers would not be paid, and this would give them a strong incentive to prove that outcomes are not only measured, but actually achieved.” The report goes on to say the program “requires that service providers be financially responsible, evaluated based on clear outcomes, and rewarded only for success.”

What is Pay for Success funding?

The Pay for Success funding model is a financial tool that allows government entities to pay for programs that deliver results. It allows for the development of innovative delivery of services with minimal to no risk to taxpayers. Pay for Success funding models are potentially powerful tools for us as policy makers to focus our limited resources more efficiently by developing outcomes to improve services for targeted populations to find solutions that work best for our communities and North Dakota as a whole.

What does a performance-based grant, contract or agreement entail?

The government entity establishes a specific, measurable outcome that it wants to achieve within a targeted population and guarantees payment to an intermediary only if the intermediary accomplishes the agreed upon outcomes. The outcomes would be determined through third party validation to ensure independence and provide greater accountability.

If the government isn't paying for the program up front, who is?

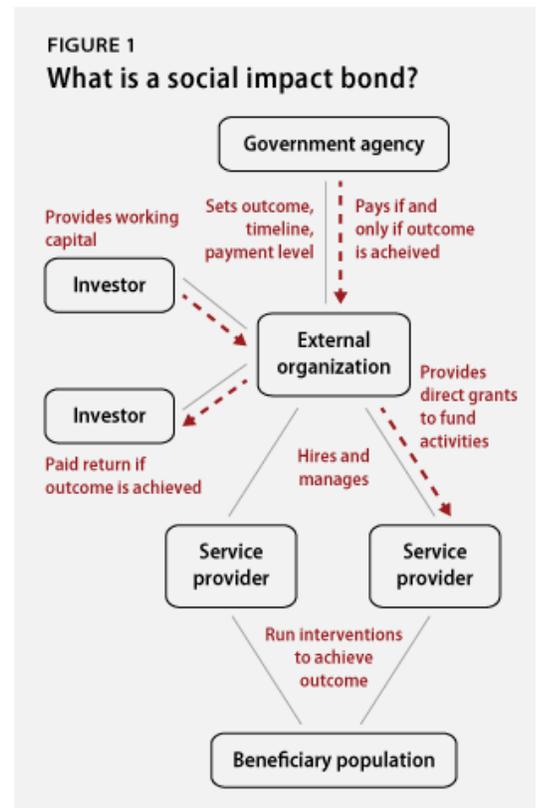
Investors provide the working capital for the intermediary to contract with and manage service providers. The up-front investment of capital comes from the collaboration between private foundations, private investment funds, corporations and individuals who are committed to finding solutions to the challenges facing our individual communities, states and the nation. There are entire networks of investors who have been developing the infrastructure around Pay for Success programs for the past decade.

What kind of programs should North Dakota focus on?

HB 1480 has three targeted populations identified on page 1, lines 12 through 15. Common areas of Pay for Success programs throughout the country include recidivism, home-visiting programs, workforce development, preventative health care, early childhood, and homelessness. This committee may have ideas for areas of focus based on the legislation you have deliberated this session and in previous sessions.

One thing to keep in mind, as we consider Pay for Success funding in North Dakota, to focus on areas in which:

- Outcomes can be clearly defined and historical data already exists
- Prevention is a focus as these types of interventions typically cost less to administer
- Interventions with established levels of evidence currently exist
- Areas in which it has been challenging to dedicate funding to in a sustainable manner



Committee members, attached to my testimony are a few examples of Pay for Success programs that are occurring throughout the country. Most of which have begun their implementation in the last few years limiting the available data of what their outcomes have determined. However, as indicated previously in my testimony, the government entities will only be responsible for paying for the programs if the contractually agreed upon outcomes are met. Otherwise, they owe nothing. But may have still found ways to make progress. For instance, a contract may require a 20% reduction in recidivism from a specific population of recently incarcerated North Dakotans over a three-year period. If that program reduces recidivism by only 17%, the state wouldn't be obligated to make payment. But may still have found ways to improve the delivery of services saving money in future biennium.

- [NYC Rikers ABLE program fact sheet](#) (2013) – outcomes weren't on track to be met within year three of the four year project, so the [City of New York was able to pull the project without paying a dime](#).
- [Utah High Quality Preschool Program](#) (2013) – provided 3,500 new children broken into five cohorts the opportunity to attend preschool. All 595 low-income children in the first cohort were screened with 110 identified as likely needing access to special ed services in grade school. Learning and intervention strategies were implemented to all students with the 110 identified students being tracked through a third-party validator. Early data in year two to three suggested the strategies were working with only one student needing to access special education services in kindergarten. It was determined that in the first year alone, \$281,500 in savings were experienced or \$2,607 per child. If this continues through 12th grade for the cohort, the savings to the state of Utah are estimated to exceed \$1 million. [United Way of Salt Lake City summary](#).
- [Oklahoma Foster Care Program](#) (2015 & 2018) – goal was to keep kids, who are at risk of removal from their home due to abuse and/or neglect, safe in their home. The evaluation of the program showed that about 80% of kids served have remained safely in their homes, compared to 30% of kids who received services as usual. Oklahoma DHS extended the program for another three years in 2018 and expanded the service area.
- [Massachusetts Housing First Program](#) (2015) – goal was to house 500-800 homeless individuals over a six-year period. By year five (2020), the program successfully house 1,000 people including 248 veterans. Over 80% of the program participants are now enrolled in a permanent supportive housing program funded through Medicaid.
- [City of Spartanburg, SC Hello Family Program](#) (2017 and ramped up in 2021) – goal is to improve outcomes for young children and their families by providing a continuum of evidence-based services for all children born in the City of Spartanburg, from prenatal care through age five, and linking payment to actual improvements in families' lives.
- [Nonprofit Finance Fund 2019 Report, Pay for Success: The First 25](#)

Madame Chair, members of the committee, my ask of you is to encourage further discussion of this concept by providing input in areas of priority for North Dakota to focus a Pay for Success initiative or two (page 1, lines 12-15). I believe that beginning to implement outcomes based funding for programs that can improve the health, skill sets and quality of life for North Dakotans will allow our state to identify North Dakota solutions to problems facing individuals, families and our communities. Pay for Success allows for innovation, collaboration and very minimal financial risk to taxpayers.

Additionally, if you would be willing to provide myself a few more days to work with DHHS Director Jones on potential amendments. He and I are scheduled to visit tomorrow morning with a national organization that has been working on Pay for Success projects since the concept's inception. In my conversations with them and an investment fund over the past two weeks, we think there are a couple

additional opportunities to work within existing budgets to make Pay for Success work for DHHS and any other interested agencies. And then would be looking to see if the \$2.5 million currently appropriated in the bill could be used for local and/or regional initiatives.

Thank you for your consideration and hopefully your support. I am happy to answer any questions.