

This article was part of [The Chronicle of Social Change's PFS Watch](#), a running column for subscribers covering the emergence of youth-related pay-for-success and social impact bond projects.

For the uninitiated: PFS projects, which are often referred to as social impact bonds as well, use private capital to address some of the most persistent and complex social issues. In this model, a promising (but often untested) intervention is funded up front with private sector and/or philanthropic capital.

If certain outcomes are met, the government pays back the investors with a bonus. If the project fails, the government does not bear any cost burden.

It is a relatively new and untested approach to developing services for youth and other at-risk populations. But with tightening budgets at the state and local level, there is much hope that PFS models will prove the worthiness of new approaches.

Connecticut Looks to PFS on Substance Abuse in Child Welfare

Connecticut's Department of Children and Families (DCF) has begun implementation of the state's first social impact bond.

Officials at DCF say they used the experience of earlier PFS implementers – Massachusetts and New York – to gain insight into various aspects of the implementation, such as the selection of interventions and service providers.

DCF decided to focus its PFS project on substance abuse treatment, and with good reason: 60 percent of the families involved in Connecticut's child welfare system were also impacted by substance abuse.

DCF Director of Development Elizabeth Duryea explained the decision in an email to *Youth Services Insider*:

"Our pursuit of a social impact project to enhance services targeting parent or caregiver substance abuse emerged as an area where we have overwhelming needs. Effective substance abuse interventions are expensive and limited in terms of existing capacity to meet all of the needs of DCF-served families.

By focusing our social impact project in this area, we hope to increase reunification rates and reduce costs of long-term stays in foster care by expanding and enhancing interventions to better meet these needs."

In November of 2013, Connecticut released a Request for Information (RFI) regarding Improving Outcomes for Families Involved in Child Protective Services and Impacted by Substance Use.

The intent of the RFI was to gather suggestions from families, intermediaries, investors, providers, and other interested persons or entities regarding the delivery of services within the Pay for Success model.

Following the RFI responses, the state released a request for proposals in February of 2013 to identify an intermediary organization. The intermediary plays a critical role in the model. The state is seeking a partner who has proven experience in management of social impact projects and demonstrated ability to raise capital to fund the projects.

The intermediary will also play a key role in identifying promising interventions, both evidence-based and possible pilot programs. Currently, the state has two applicants in the final stages of selection and should be making an official announcement in early May.

There is a great deal of enthusiasm in Connecticut for an innovative funding stream, considering the state is in fiscal crisis. While, there are not definitive plans to replicate the PFS model in other human service areas, the state is looking at better ways to serve clients who receive services across state agencies in an effort to streamline interventions.

The first SIB was launched in the U.K in 2010, aimed at lowering the recidivism rates of men returning home from Peterborough Prison. Although, it's too soon to know the effectiveness of social impact bonds, there is national interest in the method.

Massachusetts was the first state to implement a social impact bond. One of their first bonds was for services addressing youth recidivism. Specifically, targeting youth who "age out" of the juvenile justice system each year.

These youth receive a range of targeted interventions and support to prevent re-offenses. The intent of the program is to save the government money by reducing the number of inmates the state needs to care for, while also improving job and educational outcomes for program participants.

Connecticut, like its neighbors New York and Massachusetts, receives technical support from the [Social Impact Bond Technical Assistance Lab \(SIB Lab\) at the Harvard Kennedy School \(HKS\)](#). The SIB Lab selected Connecticut and five other states (Colo., N.Y., Ill., Ohio, and S.C.) were chosen to receive pro bono technical assistance to help design, procure, and implement social impact bonds.

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