

'Pay for success' offers the state opportunities for public-private innovation | Opinion

Express-Times guest columnist By Express-Times guest columnist

on June 02, 2015 at 1:05 PM, updated June 02, 2015 at 1:06 PM

By Rep. Mike Schlossberg



Over the past five years, much has been made of the success of **Allentown's Neighborhood Improvement Zone**. As a result of this financial mechanism, there are jobs, investment and hope in places where all of those traits previously had been in short supply.

The NIZ is a fantastic example of the private sector and government working together in a creative fashion to improve society.

What if I told you we could enact similar creative financing for a variety of other problems bedeviling society? Things like early childhood education, homeless prevention and prisoner recidivism?

Education and social services have been under the incredible pressure of the state's budget constraints, and we must consider a fundamental change in how we deliver them.

House Democrats have a plan to make that happen as part of our budget proposal.

We have introduced legislation to allow **state agencies to enter into Pay-for-Success contracts** with the private investors and philanthropic organizations that believe they can deliver these services more efficiently.

This program could be used to keep offenders from returning to prison, train displaced workers for new jobs, or provide long-term care to Pennsylvania seniors.

Pay for Success could potentially transform early childhood education initiatives in the state and allow us to offer quality Pre-K programs, which have been proven to improve educational outcomes while saving taxpayers' money, to students throughout the Pennsylvania. In the Lehigh Valley, a mere 14 percent of children have access to high quality Pre-K education, and we know that these numbers are woefully unacceptable. Pay for Success can change this.

Here's how the process works: **Pay for Success requires investors to provide up-front money and take the risk**. If the program reaches predetermined targets and outcomes, those investors would earn a return on their investment from government agencies that would save money, in the long run, as a result of the success of these programs. At the same time, depending on the program, hundreds or thousands of individuals would have access to services in which they had never been able to take part. In other words, everybody wins.

This is an idea that a handful of states are already trying. **Massachusetts entered into a contract with a nonprofit that helps offenders return to society.** It hopes to save as much as \$41.5 million by reducing the number of days young male offenders from the Boston area are reincarcerated by 40 percent.

New York is using a Pay-for-Success program to train and employ ex-prisoners. The program aims to cut recidivism by 8 percent and/or increase employment by 5 percent. New York estimates it can save as much as \$12.8 million if the program is successful.

Before I was elected to the House, I worked for the Greater Lehigh Valley Chamber of Commerce. In my job there, every single day, I saw business owners being creative and entrepreneurial to deliver better services and earn more money.

It is that same kind of spirit which should influence government. We know status quo will not do if we want government that works. Pay for Success potentially gives us a way to invest in huge problems and positively influence real people.

State Rep. Mike Schlossberg, D-Lehigh, represents the 132th Legislative District. He lives in Allentown.

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