

SENATE BILL 2217

By Harris

AN ACT to amend Tennessee Code Annotated, Title 4 and Title 9, relative to social impact bonds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 9, Part 1, is amended by adding the following as a new, appropriately designated section:

(a) As used in this section:

(1) "Social impact bond" means any bond, note, or other debt obligation of the state payable during a fiscal year from one (1) or more of the following sources:

(A) Money appropriated by law in any fiscal year for debt service due with respect to bonds, notes, or debt obligations;

(B) Proceeds of the sale of bonds, notes, or debt obligations;

(C) Payments received for the purpose of this section under contracts and agreements authorized under this section; and

(D) Investment earnings on amounts in subdivisions (a)(1)(A)-(C);

and

(2) "Social impact bond agreement" means a contractual arrangement between one (1) or more state or local governmental entities and any public or private entity for the purpose of increasing funding for preventative services through public-private partnerships meeting the requirements of this section.

(b) The comptroller of the treasury shall implement a comprehensive, statewide pilot program, which shall be known as the "pay-for-success program," to create social impact bond agreements and to demonstrate the feasibility and desirability of using

social impact bonds to pay for preventative services to lower recidivism and delinquency and to improve the lives of individuals who are incarcerated or have been released from any correctional facility.

(c) The purpose of the pay-for-success program is to authorize the comptroller to enter into contracts with the public and private sectors for the provision of preventative services and to use the proceeds of social impact bonds to finance evidence-based offender reentry programs that have improved financial and social outcomes for the population served and resulted in savings to the public sector, including reductions in incarceration costs.

(d)

(1) Subject to the limitations of this subsection (d), the state funding board may sell and issue social impact bonds of the state under this section for the purposes of the pay-for-success program established in subsection (b). Proceeds of the social impact bonds shall be credited to a special social impact bond account in the state treasury. Net income from investment of the bond proceeds, as estimated by the state funding board, shall be credited to the special social impact bond account.

(2) In developing and implementing the program, the comptroller shall:

(A) Define the target programs and population;

(B) Identify criteria to select one (1) or more preventative services to be included in the pilot program;

(C) Identify the conditions of performance and desired outcomes for the population served by each service selected;

(D) Identify state or local government agencies that service the targeted population;

(E) Identify the potential organizations and providers that service or may wish to service the targeted population;

(F) Identify existing targeted programs;

(G) Acquire data on the cost of intervention and the ability to quantify cost savings, including reductions in incarceration costs; and

(H) Identify public-private partnership projects that achieve the purposes of this program.

(3) The comptroller may enter into a social impact bond agreement with entities that represent juvenile justice, corrections, reentry, recidivism, social services, education, economic development, and other relevant entities. The agreement shall specify the service to be provided, the population to be served, the time frame in which it is to be provided, the outcome required for payment, and any other terms deemed necessary or convenient for implementation of the pilot program. The comptroller shall pay an entity that has met the terms and conditions of a social impact bond agreement with money appropriated to the state funding board from the social impact bond account established in subdivision (d)(1). At a minimum, before the comptroller pays an entity, the comptroller shall determine that the entity has met the return on investment criteria in subdivision (d)(4).

(4) The comptroller shall establish the method and data required for calculating the state's return on investment. The data at a minimum shall include incarceration or other costs avoided by the state by providing the preventative service.

(e) Prior to entering into a social impact bond agreement under this section, the comptroller shall determine that the services provided under the social impact bond agreement will yield a positive return on investment for the state that will cover the estimated state costs in financing and administering the pilot program through documented reductions in incarceration costs or other cost avoidance.

(f) The comptroller shall report to the governor; the chairs of the finance, ways and means committees of the senate and house of representatives; and the directors of the office of legislative budget analysis for the senate and the house of representatives regarding the services included in the pilot program by February 1 of each year following a year in which the pilot program is operating. The report shall describe and discuss the criteria for selection and evaluation of services to be provided through the program, the impact of the program on reducing juvenile delinquency and recidivism in the state, the state's return on investment, the cost of the services provided by other means in the most recent past, the time frame for payment for the services, and the timing and costs for sale and issuance of the social impact bonds authorized in this section.

(g) The comptroller may identify as an existing targeted program pursuant to subdivision (d)(2)(F) any program in a county having a population greater than nine hundred thousand (900,000), according to the 2010 federal census or any subsequent federal census; provided, that the program meets the requirements of this section.

SECTION 2. This act shall take effect July 1, 2016, the public welfare requiring it.