

AMENDED IN ASSEMBLY MAY 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1837

Introduced by Assembly Member Atkins
(Coauthors: Assembly Members Fox, Medina, and V. Manuel Pérez)

February 18, 2014

An act to amend Section 13997.6 of, and to add Section 12096.3.7 to Article 4.5 (commencing with Section 12096.6) to Chapter 1.6 of Part 2 of Division 3 of Title 2 of, the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1837, as amended, Atkins. Governor's Office of Business and Economic Development. *Development: social innovation financing.*

The Economic Revitalization Act establishes the Governor's Office of Business and Economic Development, also known as "~~GO-Biz,~~" to, "*GO-Biz.*" *GO-Biz*, among other duties, ~~serve~~ *serves* the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth.

This bill would require GO-Biz to serve as the lead entity for efforts to explore social innovation financing, defined as an investment arrangement using private funding to finance a social program administered by a nonprofit organization or for-profit service provider on behalf of a government agency pursuant to a performance-based contract. *This financing, as defined. The bill would also require GO-Biz to develop model provisions for recommendations for implementing social innovation finance models, including performance-based contracts that allow private investors to provide upfront financing to service*

~~providers to achieve preagreed upon social outcomes and require a contracting government agency to pay the private investor a return on investment if successful programmatic outcomes are achieved by the service provider. contracts, as defined, for achieving measurable social benefits. The bill would authorize GO-Biz to establish an advisory board to help guide the implementation of the act.~~

Other existing law creates the California Economic Development Fund in the State Treasury for the purpose of receiving federal, state, local, and private economic development funds, and receiving repayment of loans or grant proceeds and interest on those loans or grants.

The bill would establish the Social Innovation Account within the fund for the purpose of receiving federal, state, and local governmental moneys and private moneys to be used to implement social innovation financing methods. The bill would authorize GO-Biz to accept nonstate moneys for the purposes of facilitating, administering, or collaborating on social innovation financing and implementing performance-based contracts. The bill would require GO-Biz to post on its Internet Web site prescribed information on private donations. The bill would authorize GO-Biz to expend moneys in the account, upon appropriation, to make payments to private investors and service providers and to fund other expenditures directly related to performance-based contracts and other social innovation financing methods and models.

~~This~~

The bill would also make legislative findings and declarations in this regard.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) It is the intent of the Legislature to establish partnerships
- 4 between ~~government~~ *governmental* agencies, private investors,
- 5 nonprofit organizations, and for-profit service providers to facilitate
- 6 the use of social innovation financing to achieve measurable social
- 7 benefits.
- 8 (b) *Social innovation financing and the use of*
- 9 *performance-based contracting can serve as an effective tool for*
- 10 *addressing social and community development challenges where*

1 *private sector innovations may be useful and multiple approaches*
2 *may be appropriate. Research shows that the selection and design*
3 *of these types of social interventions should be done with care in*
4 *order to ensure successful outcomes. Among other criteria, selected*
5 *projects should meet the following requirements:*

6 *(1) Address social needs that are unmet, high priority, and*
7 *large-scale.*

8 *(2) Address target populations that are well-defined and can*
9 *be measured with scientific rigor.*

10 *(3) Result in outcomes that are credible and readily available*
11 *by cost-effective means.*

12 *(4) Propose interventions that are highly likely to achieve*
13 *targeted impact goals.*

14 *(5) Be carried out by proven service providers that are prepared*
15 *to scale with quality.*

16 *(6) Include safeguards to protect the well-being of the*
17 *populations served.*

18 *(7) Be cost-effective programs that can demonstrate financial*
19 *savings for government.*

20 ~~(b)~~

21 *(c) The focus of initial social innovation financing efforts should*
22 *be ~~towards~~ toward decreasing recidivism rates in our criminal*
23 *justice system, reducing homelessness, and promoting workforce*
24 *development.*

25 ~~SEC. 2. Section 12096.3.7 is added to the Government Code,~~
26 ~~to read:~~

27 ~~12096.3.7. (a) The office shall serve as the lead entity for~~
28 ~~efforts to explore social innovation financing and provide technical~~
29 ~~assistance to local governments that are exploring the creation of~~
30 ~~social innovation financing.~~

31 ~~(b) The office shall develop model provisions for~~
32 ~~performance-based contracts.~~

33 ~~(c) For purposes of this section only, the following terms shall~~
34 ~~have the following meanings:~~

35 ~~(1) "Performance-based contracts" means contractual~~
36 ~~agreements between government, private investors, and service~~
37 ~~providers where private investors agree to provide upfront~~
38 ~~financing to service providers to achieve preagreed upon social~~
39 ~~outcomes and the government agency agrees to pay a return on~~

1 investment to the investors if successful programmatic outcomes
 2 are achieved by the service provider.

3 (2) ~~“Social innovation financing” means an investment~~
 4 ~~arrangement using private funding to finance a social program~~
 5 ~~administered by a nonprofit organization or for-profit service~~
 6 ~~provider on behalf of a government agency pursuant to a~~
 7 ~~performance-based contract.~~

8 *SEC. 2. Article 4.5 (commencing with Section 12096.6) is added*
 9 *to Chapter 1.6 of Part 2 of Division 3 of Title 2 of the Government*
 10 *Code, to read:*

11
 12 *Article 4.5. Social Innovation Financing*

13
 14 *12096.6. (a) The office shall serve as the lead entity for efforts*
 15 *to explore social innovation financing and provide technical*
 16 *assistance to local governments that are exploring the creation of*
 17 *social innovation financing.*

18 *(b) The office shall develop recommendations for implementing*
 19 *social innovation finance models, including performance-based*
 20 *contracts for achieving measurable social benefits. These*
 21 *recommendations shall include, but are not limited to, the*
 22 *following:*

23 *(1) Strategies for engaging with private investors, nonprofit*
 24 *organizations, and for-profit and nonprofit service providers.*

25 *(2) Parameters for determining which projects are appropriate*
 26 *for performance-based contracts.*

27 *(3) Parameters for establishing baseline, setting performance*
 28 *metrics, and measurable outcomes.*

29 *(4) A model for a performance-based contract, including*
 30 *parameters for writing a statement of work and quality standards*
 31 *that encompasses the requirements of paragraph (3).*

32 *(c) The office may establish an advisory board to help guide*
 33 *the implementation of this chapter.*

34 *(d) As used in this section only:*

35 *(1) “Performance-based contracts” means contractual*
 36 *agreements between government, private investors, and service*
 37 *providers where private investors agree to provide up-front*
 38 *financing to service providers to achieve social outcomes agreed*
 39 *upon in advance and the government agency agrees to pay a return*

1 *on investment to the investors if successful programmatic outcomes*
2 *are achieved by the service provider.*

3 (2) *“Social innovation financing” means an investment*
4 *arrangement using private funding to finance a social program*
5 *administered by a nonprofit organization or for-profit service*
6 *provider on behalf of a government agency pursuant to a*
7 *performance-based contract.*

8 *SEC. 3. Section 13997.6 of the Government Code is amended*
9 *to read:*

10 13997.6. (a) The California Economic Development Fund is
11 hereby created in the State Treasury for the purpose of receiving
12 federal, state, local, and private economic development funds, and
13 receiving repayment of loans or grant proceeds and interest on
14 those loans or grants.

15 (b) Upon appropriation by the Legislature, moneys in the ~~fund~~
16 *California Economic Development Fund* may be expended by the
17 Governor’s Office of Business and Economic Development to
18 provide matching funds for loans or grants to public agencies,
19 nonprofit organizations, and private entities, and for other economic
20 development purposes, consistent with the purposes for which the
21 moneys were received.

22 (c) (1) *The Social Innovation Account is hereby established*
23 *within the California Economic Development Fund for the purpose*
24 *of receiving federal, state, and local governmental moneys and*
25 *private moneys that will be used to implement social innovation*
26 *financing methods including performance-based contracts, as*
27 *defined and authorized in Section 12096.6.*

28 (2) (A) *The Governor’s Office of Business and Economic*
29 *Development may accept nonstate moneys, including, but not*
30 *limited to, private sector funds, for the purposes of facilitating,*
31 *administering, or collaborating on social innovation financing*
32 *and implementing performance-based contracts.*

33 (B) *The Governor’s Office of Business and Economic*
34 *Development, for each private donation that it receives to fund a*
35 *social innovation finance activity or performance-based contract,*
36 *shall post a report on its Internet Web site within 30 days of*
37 *receiving that donation. The report shall contain all of the*
38 *following information:*

39 (i) *The name and address of the donor.*

40 (ii) *The amount of the donation.*

- 1 (iii) *The date the donation was made.*
- 2 (iv) *The name and address of the entity receiving or using the*
- 3 *donation.*
- 4 (v) *A brief description of the goods or services provided or*
- 5 *purchased, if any.*
- 6 (vi) *A description of the specific purpose or event for which the*
- 7 *donation was made, if any.*
- 8 (3) *Upon appropriation by the Legislature, the Governor's*
- 9 *Office of Business and Economic Development may expend moneys*
- 10 *in the Social Innovation Account to make payments to private*
- 11 *investors and service providers and to fund other expenditures*
- 12 *directly related to performance-based contracts and other social*
- 13 *innovation financing methods and models.*