
HOUSE RESOLUTION

REQUESTING THE EXECUTIVE OFFICE ON EARLY LEARNING, IN CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, TO CONDUCT A STUDY ON THE FEASIBILITY OF USING SOCIAL IMPACT BONDS TO FUND EARLY LEARNING PROGRAMS AND SERVICES IN THE STATE.

1 WHEREAS, the new social and financial landscape and
2 competition for scarce public dollars has required a sometimes
3 painful prioritizing of government functions to provide for the
4 public good in a fiscally prudent manner; and

5
6 WHEREAS, legislators across the United States have been
7 searching for new and creative ways to ensure that necessary
8 programs and services do not suffer, but in the shuffle,
9 programs focusing on prevention, that require more time to
10 demonstrate effectiveness, have silently been languishing in the
11 shadows; and

12
13 WHEREAS, impact investment in nonprofit organizations and
14 companies that address social issues has grown to fill this
15 void; and

16
17 WHEREAS, while the majority of impact investment has
18 focused on microfinance, farming, and other fields for which
19 return on investment is relatively obvious, social impact bonds
20 may be an option more uniquely suited to a state government's
21 efforts to address issues within the social sphere; and

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23 WHEREAS, social impact bonds connect private investors with
24 government entities to fund social programs and services with no
25 initial outlay of taxpayer funds; and

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27 WHEREAS, social impact bonds, also referred to as pay-for-
28 success contracts, rely on defined and measurable outcomes to
29 determine the rate of return, if any, on the money invested; and



1 WHEREAS, social impact bonds bring together investors,
2 nonprofits, and government to finance preventive programs
3 expected to lead to overall cost savings in the long run; and
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5 WHEREAS, New York City, the first city in the United States
6 to use social impact bonds, is currently funding programs aimed
7 at reducing youth recidivism rates through social impact bonds
8 "purchased" by Goldman Sachs; and
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10 WHEREAS, Goldman Sachs invested \$9,600,000 over four years
11 in the programs on the projection that the programs will reduce
12 recidivism rates by ten percent in that time, and:
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14 (1) If the projected outcome is met, New York City will
15 use taxpayer funding to repay Goldman Sachs;
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17 (2) If the projected outcome is exceeded, Goldman Sachs
18 will receive an additional return on its investment
19 from New York City; and
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21 (3) If the projected outcome is not met, no taxpayer funds
22 will be expended and Goldman Sachs will lose the money
23 it invested; and
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25 WHEREAS, social impact bonds are structured to obtain
26 proven solutions with no risk to taxpayer funds and public
27 budgets; and
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29 WHEREAS, social impact bonds are a financing tool that may,
30 according to Mayor Michael R. Bloomberg, "empower governments to
31 innovate in ways they wouldn't otherwise attempt"; and
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33 WHEREAS, social impact bonds may be a creative and flexible
34 way for the State to invest in early education programs and
35 ensure that all children in Hawaii get off to a solid and
36 supported beginning; now, therefore,
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38 BE IT RESOLVED by the House of Representatives of the
39 Twenty-seventh Legislature of the State of Hawaii, Regular
40 Session of 2013, that the Executive Office on Early Learning, in
41 consultation with the Department of Budget and Finance, is



1 requested to conduct a study on the feasibility of using social
2 impact bonds to fund early learning programs and services within
3 the State; and
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5 BE IT FURTHER RESOLVED that the Executive Office on Early
6 Learning, in consultation with the Department of Budget and
7 Finance, is requested to consider:
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- 9 (1) The potential pool of investors likely to invest in
10 social impact bonds both in and outside the State;
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- 12 (2) The State's capacity to effectively administer a
13 social impact bond program;
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- 15 (3) Nonprofit organizations with the capacity to make
16 effective use of funding supplied through social
17 impact bonds and with the likelihood to meet
18 predefined and measurable outcomes based on the
19 following factors:
 - 20 (A) The economic feasibility of the programs and
21 services provided;
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 - 23 (B) The degree to which the programs and services
24 provided will advance statewide and local
25 strategies and objectives;
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 - 27 (C) The degree to which the programs and services
28 offered will maximize the leverage of other state
29 funds; and
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 - 31 (D) The degree to which the programs and services
32 align with the goals and objectives of the
33 Executive Office on Early Learning, the
34 improvement of social outcomes, and the
35 stimulation of private sector investment and
36 expansion;
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- 38
- 39 (4) The size and characteristics of the target population
40 that could benefit from early learning programs and
41 services funded through social impact bonds;



- 1 (5) The projected financial value of the improvements that
2 may result from social impact bond investments,
3 including projected public sector savings and
4 projected returns to investors;
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- 6 (6) The availability of performance metrics to analyze
7 projected financial value and impacts beyond financial
8 savings and returns, such as social outcomes;
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- 10 (7) Statutory changes necessary to effectuate a social
11 impact bond program and any potential statutory
12 prohibitions that may prevent such a program from
13 being implemented; and
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- 15 (8) Any other issues that may arise in the course of
16 conducting the study; and
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18 BE IT FURTHER RESOLVED that the Executive Office on Early
19 Learning, in consultation with the Department of Budget and
20 Finance, is requested to also consider the feasibility of
21 establishing a social impact bond pilot project and in
22 determining the details of a pilot project, the Executive Office
23 on Early Learning in consultation with the Department of Budget
24 and Finance, is requested to consider the following elements:
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- 26 (1) The solicitation of donations from philanthropic
27 organizations and other private sources;
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- 29 (2) Bond contract terms and conditions, including
30 predefined public sector savings thresholds; and
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- 32 (3) Performance metrics to project and measure financial
33 and social outcomes; and
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35 BE IT FURTHER RESOLVED that the Executive Office on Early
36 Learning, in consultation with the Department of Budget and
37 Finance, is requested submit a report of its findings and
38 recommendations, including any proposed legislation, to the
39 Governor and the Legislature no later than 20 days prior to the
40 convening of the Regular Session of 2014; and



1 BE IT FURTHER RESOLVED that the Legislative Reference
 2 Bureau is requested to assist the Executive Office on Early
 3 Learning in preparing the report, including recommendations and
 4 proposed legislation, if any; provided that the Executive Office
 5 on Early Learning is requested to submit its findings and
 6 recommendations, including recommendations for proposed
 7 legislation, to the Legislative Reference Bureau no later than
 8 November 1, 2013; and

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 10 BE IT FURTHER RESOLVED that certified copies of this
 11 Resolution be transmitted to the Governor, Director of Executive
 12 Office on Early Learning, Director of Human Services, Director
 13 of Finance, and Acting Director of the Legislative Reference
 14 Bureau.

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OFFERED BY: _____

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Mel Carnice

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