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February 1, 2024

Representative Aaron Michlewitz
Chairman
House Committee on Ways and Means

Senator Michael J. Rodrigues
Chairman
Senate Committee on Ways and Means

Re: Annual Status Report for the Social Innovation Financing Trust Fund ("Pay-for-Success Contracts").

Dear Chairman Michlewitz and Chairman Rodrigues,

In 2012, the Social Innovation Financing Trust Fund was established for the purpose of funding contracts to improve outcomes and lower costs for contracted government services, referred to as Pay-for-Success contracts, under Section 35VV of Chapter 10 of the General Laws. A subsection of the statute requires the Secretary of the Executive Office of Administration and Finance to provide an annual status report on all pay for success contracts.

This memorandum provides details on the various contracts that will be paid out, winding down, or transitioning throughout FY24.

A summary of each contract is below:

- The first such contract was entered into in January 2014 (and amended in November 2016 and April 2020), to help young men leaving the juvenile justice system or on probation avoid re-offending. The contract obligated the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2024. The final report for this contract is due by the end of the first calendar-year quarter of 2024. Based on the projected performance related to this contract, the Commonwealth is not expected to make additional success payments in this fiscal year.
- The Commonwealth entered into a second such contract in July 2018 (and amended in October 2021) to support unemployed or underemployed veterans with post-traumatic stress disorder in attaining competitive and compatible employment. The contract

obligates the Commonwealth to make up to \$3.0 million in success payments, in the aggregate, through fiscal 2024. As of January 1, 2024, the contract between the Executive Office of Administration and Finance and the Payor Alliance for Veterans Employment (PAVE), was amended to be held by the Executive Office of Veterans Services. As such, future operational costs and success payments associated with this contract will be made by the Secretary of the Executive Office of Veterans Services.

Pursuant to Chapter 10, Section 35VV (2012), the total amount of payments under such contracts secured by a pledge of the full faith and credit of the commonwealth shall not exceed, in the aggregate, \$50,000,000.

TABLE I: Social Innovation Financing Trust Fund (FY24)

Social Innovation Financing Trust Fund (Pay-for-Success)	
<i>Ending 06.30.2024 (FY24)</i>	
Pay-For-Success Projects	Net Max Payments through FY24*
Juvenile Recidivism	\$10.3M
Veterans Chronic Individual Homelessness	\$2.1M
Total FY24 Projected Payments	\$12.4M

*As noted above, these pay-for-success projects are unlikely to require further payment in FY24 based on current contract performance.

Thank you for your consideration of the forgoing programs, both of which bear the Commonwealth's full-faith and credit pledge for the payment contract obligations.

Sincerely,

Adit Basheer
Assistant Secretary
Executive Office for Administration and Finance