Social Impact Partnerships - SIPPRA
Policy brief prepared by the U.S. Impact Investing Alliance | March 2018

Summary
The Social Impact Partnerships to Pay for Results Act (SIPPRA) was included in the Bipartisan Budget Act of 2018, culminating a multi-year effort by advocates for evidence-based policy and pay-for-success. The law creates a new fund, up to $100 million, within the Department of Treasury to support “social impact partnership projects.”

These “SIpps” are pay-for-success projects, where private investors pay the upfront cost of a social intervention and are repaid if the project achieves predetermined impact outcomes. Typically, success payments are drawn from a government’s cost savings attributable to the intervention.

Example. Seneca County, Missouri, estimates that childhood obesity – which in the county exceeds the national average by 50% – creates an average $2,000 in additional healthcare expenditures over ten years for every child in the county.

Seneca Impact Partners (SIP) is a nonprofit that provides nutrition training and cooking instruction for low-income, new and expecting mothers. The county wants to contract with SIP to conduct a demonstration project of new intervention model that can be delivered for approximately $500 per child and which SIP believes could cut the rate of childhood obesity in half.

With 20,000 children in the county, successful deployment of the project at scale would generate $10 million in savings. County administrators are concerned, however, about bearing the upfront cost on an untested program, so Seneca Bank agrees to finance the project. The county repays Seneca Bank on a schedule tied to the results of a randomly controlled trial demonstrating a reduction in childhood obesity as a result of the project.

Based on the evidence, the county deploys the project county-wide, confident that long-term savings will justify near-term costs.

A SIPP must achieve at least one “measurable outcome defined by the State or local government that results in positive social outcomes and Federal savings.” The law identifies twenty specific outcomes that a SIPP could pursue, ranging from public health, to education, to criminal justice, to affordable housing. By law, half of the funds made to carry out SIpps must be used on projects that directly benefit children.

The SIPP Fund will support projects in the following ways:

- Outcomes funding up to the amount of projected federal savings over ten years;
- Funding for all or part of the independent evaluation to determine whether the SIPP has achieved its intended outcomes; and,
- Funding for feasibility studies in support of a project application.

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1 Read the enacted language of SIPPRA at our website, [http://impinvalliance.org/s/SIPPRA](http://impinvalliance.org/s/SIPPRA).
Frequently Asked Questions

Why have a federal fund to pay for state and local projects?
SIPPRA looks to address the “wrong pocket problem.” In the past, states and localities had little
incentive to design and implement innovative, evidence-based policies if the financial savings only
accrued to the federal government. Even if there are endogenous savings at the state or local level, the
costs of program design and evaluation may exceed those savings.

Federal funding for feasibility studies and rigorous evaluation also helps address the transaction costs
associated with a pay-for-success project.

Who will administer this program?
The program will be run by the Department of Treasury. It will be overseen by the Interagency Council
on Social Impact Partnerships, which will be chaired by the Director of the Office of Management and
Budget and have representatives of various federal departments and agencies. The Interagency Council
will be responsible for certifying that selected projects meet the various eligibility criteria.

The Treasury Secretary and the Interagency Council will both be advised by the Commission on Social
Impact Partnerships, which will be composed of private citizens with experience and expertise in pay-
for-performance, program evaluation or social services. The Commission will make recommendations
regarding which SIPPs are selected for funding.

Once a SIPP has been selected, the Secretary of Treasury will delegate oversight to the relevant agency.

How will SIP Applications be evaluated for funding?
The Treasury Department will issue an application to collect basic information about the project, such as
the target population, the qualifications of the service provider, the qualifications of the evaluator and
the expected outcomes of the project. Furthermore, it will look to determine the likelihood that
government (at the local, state and federal levels) will realize cost savings, and it will look to assess the
likelihood that that the program can be sustained and scaled if successful.

The Social Impact Partnerships Commission will be responsible for reviewing these applications and
making recommendations for funding to the Treasury Secretary who will be responsible for making
awards.

How will SIPPs be evaluated for successful outcomes?
The Federal government will fund all or part of the cost of an independent evaluation “using random
assignment or other reliable, evidence-based research methodologies.”

CONTACT US AND GET INVOLVED

For questions, updates or to find out how you can be involved in these efforts contact:

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The U.S. Impact Investing Alliance is a field building organization committed to raising awareness of impact
investing in the United States, fostering deployment of impact capital and working with stakeholders to help build
the impact investing ecosystem.