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# HOUSE CONCURRENT RESOLUTION

REQUESTING 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  
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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  
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13           WHEREAS, impact investment in nonprofit organizations and  
14 companies that address social issues has grown to fill this  
15 void; and  
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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, the Senate concurring, that the Department of  
41 Budget and Finance is requested to conduct a study on the  
42 feasibility of using social impact bonds to fund early learning  
43 programs and services within the State; and



1 BE IT FURTHER RESOLVED that the Department of Budget and  
2 Finance, in consultation with the Executive Office on Early  
3 Learning, Department of Human Services, and Department of  
4 Education, is requested to consider:

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- 6 (1) The potential pool of investors likely to invest in  
7 social impact bonds both in and outside the State;  
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- 9 (2) The State's capacity to effectively administer a  
10 social impact bond program;  
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- 12 (3) Nonprofit organizations with the capacity to make  
13 effective use of funding supplied through social  
14 impact bonds and with the likelihood to meet  
15 predefined and measurable outcomes based on the  
16 following factors:  
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- 18 (A) The economic feasibility of the programs and  
19 services provided;  
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- 21 (B) The degree to which the programs and services  
22 provided will advance statewide and local  
23 strategies and objectives;  
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- 25 (C) The degree to which the programs and services  
26 offered will maximize the leverage of other state  
27 funds; and  
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- 29 (D) The degree to which the programs and services  
30 align with the goals and objectives of the  
31 Executive Office on Early Learning, the  
32 improvement of social outcomes, and the  
33 stimulation of private sector investment and  
34 expansion;  
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- 36 (4) The size and characteristics of the target population  
37 that could benefit from early learning programs and  
38 services funded through social impact bonds;  
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- 40 (5) The projected financial value of the improvements that  
41 may result from social impact bond investments,  
42 including projected public sector savings and  
43 projected returns to investors;  
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- 1 (6) The availability of performance metrics to analyze
- 2 projected financial value and impacts beyond financial
- 3 savings and returns, such as social outcomes;
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- 5 (7) Statutory changes necessary to effectuate a social
- 6 impact bond program and any potential statutory
- 7 prohibitions that may prevent such a program from
- 8 being implemented; and
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- 10 (8) Any other issues that may arise in the course of
- 11 conducting the study; and
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13 BE IT FURTHER RESOLVED that the Department of Budget and  
 14 Finance, in consultation with the Executive Office on Early  
 15 Learning, Department of Human Services, and Department of  
 16 Education, is requested to also consider the feasibility of  
 17 establishing a social impact bond pilot project and in  
 18 determining the details of a pilot project, the Department of  
 19 Budget and Finance, in consultation with the Executive Office on  
 20 Early Learning, Department of Human Services, and Department of  
 21 Education, is requested to consider the following elements:

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- 23 (1) The solicitation of donations from philanthropic
- 24 organizations and other private sources;
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- 26 (2) Bond contract terms and conditions, including
- 27 predefined public sector savings thresholds; and
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- 29 (3) Performance metrics to project and measure financial
- 30 and social outcomes; and
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32 BE IT FURTHER RESOLVED that the Department of Budget and  
 33 Finance, in consultation with the Executive Office on Early  
 34 Learning, Department of Human Services, and Department of  
 35 Education, is requested to submit a report of its findings and  
 36 recommendations, including any proposed legislation, to the  
 37 Governor and the Legislature no later than twenty days prior to  
 38 the convening of the Regular Session of 2014; and

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40 BE IT FURTHER RESOLVED that the Legislative Reference  
 41 Bureau is requested to assist the Department of Budget and  
 42 Finance in preparing the report, including recommendations and  
 43 proposed legislation, if any; provided that the Department of  
 44 Budget and Finance is requested to submit its findings and



1 recommendations, including recommendations for proposed  
2 legislation, to the Legislative Reference Bureau no later than  
3 November 1, 2013; and  
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5 BE IT FURTHER RESOLVED that certified copies of this  
6 Concurrent Resolution be transmitted to the Governor, Director  
7 of Finance, Director of Executive Office on Early Learning,  
8 Director of Human Services, Superintendent of Education, and  
9 Acting Director of the Legislative Reference Bureau.

