



### What is Pay for Success?

The Pay for Success program fund was created by passage of [House Bill 2670](#) in 2019 to encourage innovation opportunities and more private-public partnerships. These partnerships take form in pay for success contracts, which a state agency (or agencies) may enter into with a private entity (or entities) in order to receive up-front capital to fund a service or program.

The agency or agencies may not enter into a pay for success contract until each state agency head entering into the contract determines with reasonable certainty that the contract will result in a public benefit to the state.

Funding for contracts is on a first-come-first serve basis. After an agency contacts OMES about the availability of funds, the funds are reserved for that partnership and the agency has 90 days to award the contract with the applicable parameters. If a contract is not awarded within those 90 days, the funds are no longer guaranteed to that agency/partnership and will be available for others to pursue.

The passage of [House Bill 4154](#) in 2020 reserves 75% of the funds for equal distribution among municipalities with populations of 350,000 or more

If you are a private entity interested in a pay for success contract with a state agency, here is how the pay for success process works:

### Pay for Success process



#### STEP 1: VENDOR TO SECURE FUNDING

The first step is for the vendor (private entity providing a service or program to a state agency partner) to secure up-front capital from private funding sources. This includes foundations, financial institutions, businesses or individuals to cover the operational costs of the program or service itself without consideration of reimbursement. Before an entity can be eligible to enter into a pay for success contract, it must prove it is able to operate the program or service without receiving state reimbursement.

**Once Step 1 is completed, continue to Step 2.**

#### STEP 2: CONTACT AGENCY NEEDING PROGRAM OR SERVICE

After operational funding is secured and the service or program is proven sustainable without state reimbursement, the entity will need to contact the state agency that would utilize the service or program. The agency will identify the service or program needed and inquire with OMES on availability of state pay for success funds.

**If the agency identifies the needed service or program and there are available pay for success funds, continue to Step 3.**

#### STEP 3: IDENTIFY PERFORMANCE METRICS

Once Steps 1 and 2 are completed, the agency and vendor partner need to identify performance metrics against which success can be measured to determine whether the service or program has achieved quantifiable public benefits or monetary savings.

**Once the agency and vendor agree on the performance metrics to be implemented, continue to Step 4.**

#### **STEP 4: THIRD-PARTY EVALUATION**

Identify an independent third-party evaluator to review and issue reports annually or at specific times during the contract term specifying the degree to which the service or program has met the identified performance targets and outcome measures specified in the contract.

**After completion, continue to Step 5.**

#### **STEP 5: AGENCY TO AWARD CONTRACT**

After completing Steps 1-4, the agency and vendor can enter into a pay for success contract. The contract should include specifics about the program or service, performance metrics, designation of third-party evaluator, and timing of evaluations for reimbursement claims. All parties must identify and agree on the calculation or algorithm for determining the amount and timing of reimbursable success payments to the private entity.

**After contract details are organized and agreed upon, continue to Step 6.**

#### **STEP 6: MONITORING AND PAYOUT**

The independent third-party evaluator provides a report to the agency or agencies on an agreed time period/schedule. The evaluation will include data deemed relevant by the agency or agencies. The amount of funds to be reimbursed to the private entity is contingent upon the degree to which the service or program has met the performance targets and outcome measures as evaluated by the independent third-party evaluator.

## **Additional information**

### **Responsibilities of Pay for Success contracting partners**

The responsibilities of the agency and vendor are as follows:

#### **PROGRAM OR SERVICE**

Vendor must provide documentation to agency of funds received to cover cost of the program, and must identify a third-party evaluator for validation of performance metrics by program or service.

#### **REPORTING**

Third-party evaluator shall provide a report to the vendor and agency; schedule of evaluation and report is based on the terms of the Pay for Success contract.

No later than April 1 annually, the agency or agencies shall provide a report that contains the evaluation from the independent third-party evaluator to the chairs of legislative appropriations committees and the Office of Management and Enterprise Services.

#### **PAYMENTS**

Payments to private entities for the delivery of performance targets and outcome measures shall be made only in accordance with the terms of the pay for success contract. Payments may be made utilizing the Pay for Success Innovation Fund as funds are available or utilizing other appropriated agency funds in accordance with Oklahoma law.

## **Interested in participating in a Pay for Success program?**

Vendors interested in participating in a pay for success contract should contact the partner agency so that agency can confirm availability of funds with OMES. This will allow you to know what portion of funds are still available and secure the funds for up to 90 days or until a contract is awarded, whichever comes first.

Agencies, please contact Felicia Clark at [Felicia.Clark@omes.ok.gov](mailto:Felicia.Clark@omes.ok.gov) to inquire about the availability of funds.