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Social Impact Bonds are Going Mainstream: Forbes.

Now making waves in public finance circles are social impact bonds (SIBs). The bipartisan funding concept is a type of "Pay For Success" model where private investors invest capital and manage public projects, usually aimed at improving social outcomes for at-risk individuals, with the goal of reducing government spending in the long-term. Some social impact bonds seek to reduce the prison population through funding rehabilitation and employment programs for first-time offenders with the ultimate goal of reducing recidivism rates. Other SIBs seek to reduce the number of children in foster care. The catch is that private investors front all the costs and will be paid back a financial return by the government if and only if social outcomes are improved based on some standard measurement. The profit-motivating component comes from the fact that some of the savings from reduced costs for the government can be used to pay back the investor contingent upon their success. Now, Congress is considering the bipartisan Social Impact Bond Act, legislation that will enable the U.S. federal government to allocate $300 million to SIBs. A House Committee on Ways and Means hearing discussing the merits of social impact bonds led by the two co-sponsors of the bill, Rep. Todd Young (R-IN) and Rep. John Delaney (D-MD), was held last week.

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