Anti-poverty Advocates Win: Pay for Success Social Innovation Financing passes in Santa Clara County!

SAN JOSE, Calif., August 28, 2013 – This week the Santa Clara County Board of Supervisors unanimously approved implementing the first county funded Pay For Success (PFS) – Social Impact Financing pilot in the country.

Step Up Silicon Valley members, Catholic Charities, and The Health Trust led the advocacy effort for social impact financing as part of a comprehensive strategy to reduce poverty in the county. According to Catholic Charities CEO Gregory Kepferle, “Pay for Success Social Impact Financing is one way to bring private and public investments together and provide incentives for achieving results that actually help people move out of poverty.” Two pilot areas that the County will explore are related to solving chronic homelessness and addressing the need for step down services for severely mentally ill patients served at Barbara Arons Pavilion.

The County’s Office of the Executive will contract with Third Sector Capital Partners, a nonprofit advisory firm, to complete Phase III of the project work plan in order to issue a request for proposals. Third Sector is a national leader in Pay for Success contracting, and has been selected as an intermediary organization for the nation’s first two state-level Pay for Success projects in Massachusetts. The organization has also worked with the Cuyahoga County government to explore a Pay for Success pilot project. Third Sector Partner and Co-founder Caroline Whistler commented, “We are eager to work with County staff and community partners to identify and implement projects that will measurably improve social outcomes for vulnerable populations in Santa Clara.” Almaz Negash, Managing Director of Step Up Silicon
Valley said, “the Board’s decision is indicative of the sense of ‘urgency’ and the need to lift people out of poverty through innovative solutions like PFS. Solving complex social problems such as chronic homelessness and mental health issues requires us to ‘disrupt the system’ even when we are not clear what the end result is.”

Funding from The Health Trust’s Disruptive Innovation grant of $150,000 spurred Catholic Charities effort with Step Up Silicon Valley to contract with Third Sector Capital Partners to launch the initiative. “This disruptive financing model has the potential to achieve both better social outcomes and fiscal savings for the County,” said Todd Hansen, The Health Trust’s COO. “Without the commitment of the County’s leadership and the work of our partners Step Up Silicon Valley/Catholic Charities and Third Sector Capital Partners, this important milestone could not have been reached.” As a sign that the philanthropic community is interested in the concept The Silicon Valley Community Foundation is committing $75,000 to match $75,000 in county funds. An additional $75,000 is needed to complete Phase III.

The initiative to focus on social impact financing and measure results of efforts to help people move out of poverty was led by the Step Up Silicon Valley Outcomes Leadership Council which includes County Supervisor David Cortese.

The local effort was inspired by a dialogue in March, 2012 on Human Capital Performance Bonds keynoted by Stephen Rothschild of Invest in Outcomes. Organized by Catholic Charities, Step Up Silicon Valley and the Silicon Valley Council of Nonprofits and hosted by the Silicon Valley Community Foundation, the conference was a first step toward today’s historic vote by the Board of Supervisors.

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More information on the hearing and Third Sector Capital Partners PFS recommendations is available at:

Step Up Silicon Valley is a network of nearly 105 organizations focused on reducing poverty in Santa Clara County through creating awareness, advocating for policy changes, and incubating innovative solutions. It was officially launched in 2009.

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