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SMARTER GOVERNMENT FOR SOCIAL IMPACT:

A New Mindset for Better Outcomes

Beeck Center for Social Impact + Innovation
with Jim Shelton

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Beeck Center for Social Impact + Innovation: Better Outcomes Series

The Beeck Center for Social Impact + Innovation at Georgetown University launched its Government Innovation portfolio in 2014 to drive an action-oriented dialogue on how government can more effectively partner with cross-sector leaders—from government, business, civil society, and philanthropy—to reimagine and transform the public sector for the twenty-first century. With the rapid proliferation and adoption of new digital technologies and tools, the world is changing at an exponential rate. Government leaders now have an unprecedented opportunity to tap into these seismic technological shifts to unleash profound social impact for citizens. By harnessing new data and technologies, combined with an increasing knowledge of what works, decision makers are now better equipped than ever before to design policy for impact. The Beeck Center embraces the challenge of identifying and advancing solutions that have the potential to achieve transformative, systemic impact at scale.

In November 2014, the Beeck Center released *Funding for Results: How Governments Can Pay for Outcomes*, the first publication in its **Better Outcomes Series**, and convened over 100 global leaders for a day-long conversation on “Designing Policy for Impact.” The report examines five case studies and presents a detailed exploration of the challenges and opportunities associated with transitioning individual public programs to outcomes-focused funding mechanisms that deliver better results for citizens.

One year later, the Beeck Center is releasing the second publication in the series, *Smarter Government for Social Impact: A New Mindset for Better Outcomes*. This paper builds on research from *Funding for Results* to recommend strategies for transforming the public sector and shifting billions of dollars in public spending to incentivize and pay for policies and programs that deliver impact.

Acknowledgements

The Beeck Center for Social Impact + Innovation at Georgetown University seeks to transform the social sector through innovative, actionable frameworks that leverage capital, technology, and inclusion to achieve social impact at scale. The Center engages global leaders and influencers in solutions-focused dialogue and pursues action-oriented, dynamic research combined with experiential opportunities to provide tools for social change. We promote collaborative spaces that foster new ideas and prepare the next generation of leaders to create positive change in the world.

The Beeck Center's Government Innovation portfolio helps leaders across government, business, civil society, and philanthropy reimagine the public sector for the twenty-first century. New data and technologies have presented U.S. policymakers with an unprecedented opportunity to use evidence and outcomes to drive impact and accomplish more for citizens. The Beeck Center's work highlights how outcomes-focused public policies, innovative social service delivery models, and multi-sector leadership are disrupting the current system and affecting transformative change. *Smarter Government for Social Impact: A New Mindset for Better Outcomes* asks how the public sector can build an innovative government for the future—one that is able to respond to modern challenges and creatively seek out solutions to some of society's most intractable problems.

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Sonal Shah, The Beeck Center for Social Impact + Innovation

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Introduction

In 2007, a treatable toothache took the life of 12-year-old Deamonte Driver in Prince George's County, Maryland. A routine \$80 tooth extraction could have saved the boy's life, but Deamonte and his family faced obstacles to timely treatment. Adding to the challenges already confronting the family living in poverty, administrative barriers in Maryland's public benefits system complicated their access to service. While Deamonte's family was eligible for Medicaid, their coverage had lapsed when they moved out of a shelter and paperwork was sent to an old address. Even with coverage, finding a dentist willing to treat high-need, low-income youth would have been difficult: Medicaid reimbursements in Maryland were set so low that few dentists were willing to treat these patients. As a result, fewer than one in three Medicaid children in the state received dental care in 2005.¹ By the time Deamonte was admitted to the hospital, it was too late. The underlying bacterial infection causing his toothache had spread from his tooth to his brain, costing \$250,000 in emergency medical care and ultimately his life.²

Shockingly, the barriers Deamonte faced in receiving timely and effective treatment are encountered throughout the healthcare system. Rather than paying to provide all Medicaid patients with needed dental treatments that improve overall health, government often pays only when these patients end up in the ER, at a price averaging three times that of a routine dental visit.³ The total cost to U.S. taxpayers is around \$2.1 billion: \$1.7 billion more than if government fully covered the provision of routine dental care for all Medicaid recipients.⁴ Rather than paying for better care, such as regular dental checkups and preventive treatments, that lead to better outcomes for citizens and society, too often government pays only for high-cost, emergency services that do not solve root problems and leave patients and taxpayers worse off.

Tragedies like Deamonte's may have been unavoidable in the past, but every day new data and emergent technologies are presenting opportunities for government to learn from policy failures and successes and act on new knowledge about what works to improve the lives of citizens. As we move into the future, we need a twenty-first century government system that can respond to rapid change and adapt its behavior to produce better outcomes for citizens. We need a government that applies smart incentives and leverages modern tools to enable policymakers to make better informed decisions, to identify and address systemic barriers to effective and efficient service delivery, and to seek out and promote innovative solutions to our greatest social challenges. **America needs a smarter government.**

Smarter government embraces cutting-edge data and technology to make better funding and policy choices, to test new roads to success, to become more attuned to citizens, and to tackle social issues with improved results.ⁱ Smarter government uses real-time information to

ⁱ For a formal definition of how this paper views and uses the term *smarter government*, see the glossary at the end of this paper.

find the best method of implementing policy to achieve outcomes without prescribing *what* that method is, will be, or should be in the future, relying instead on responsive tools to identify best practices for different communities at different times.

Smarter government is already becoming a reality in communities across the United States, with cities, counties, and states providing countless examples of smarter approaches to policies and programs. In Louisville, Kentucky, “smart” asthma inhalers track where attacks happen citywide and feed this data into a government dashboard, helping policymakers identify hot spots to improve air quality and better treat patients.⁵ In Salt Lake County, Utah, policymakers are expanding access to high-quality preschool programs to improve educational outcomes for at-risk youth and decrease long-term government spending on special education.⁶ In New York and Texas, policymakers are seeking to reform Medicaid with “value-based payments” that reward doctors for performing preventive procedures that protect against costly tests and treatments down the road and could save the lives of citizens like Deamonte Driver.⁷

What all of these initiatives share in common is a smarter approach to policymaking: an operating belief that government can and should reward the *best policies and programs* by paying for the *best outcomes* and using the *best data and technology* to identify solutions that can transform service delivery and strengthen citizens’ connection to government. Smarter policymaking and results-oriented mindsets are ushering in a new era of government and creating a singular moment of opportunity for America to maximize on the power of smarter government for social impact.

America Needs Smarter Government

Americans deserve a smarter government, and together we can build one. New data analysis software, citizen engagement apps, and socially minded technologies are narrowing the gap between the public and private sector and generating unprecedented potential for government to innovate for the twenty-first century. Using data and technology more effectively, however, is only one aspect of what is needed for a smarter government. Smarter government also requires shifting personnel and systemic processes to actively embrace, cultivate, and adopt innovative and flexible social policy, and this starts when government embraces an **outcomes mindset**.

An outcomes mindset aligns clear goals with the incentives to achieve them, and actively uses existing data and technology to find better answers faster and at better costs through continuous improvement and learning. System-wide adoption of such a new mindset will not happen overnight in government, but significant change will occur when money is on the line and the public sector begins to tie real dollars to outcomes-focused policy. Financing for outcomes is a critical first step toward an outcomes mindset. It is both a principle and a practice that government must institutionalize if it is to create meaningful progress.

In our nation's capital, excitement is coalescing around the future of this funding approach and the potential of new data management and technologies to make this vision a reality. Programs described variously as Pay for Success, outcomes-focused, evidence-driven, success-oriented, and results-based have attracted high-profile attention from foundation boardrooms to Congressional briefing rooms. Books such as *Moneyball for Government* and *Show Me the Evidence* provide background for bipartisan Congressional action and federal initiatives, including Innovation Funds, Pay for Success pilots, the Performance Partnership Pilots (P3), and measures in the Workforce Innovation and Opportunity Act (WIOA). Recent articles in such major publications as the *New York Times*,⁸ the *Los Angeles Times*,⁹ the *Atlantic*,¹⁰ and the *Huffington Post*¹¹ highlight the promise of early success stories and similarly underscore the need for outcomes-focused policy to address critical national problems across a remarkably diverse set of policy areas.

All of these initiatives, however, reflect only a portion of what is needed for government to pursue smarter, outcomes-focused policy. This transformation of government to a reliance on data, innovation, and novel funding methods requires a new paradigm for how government thinks about, funds, and evaluates social policies and programs.

Where We Are Now

Paying for the achievement of end outcomes often not only costs less over time, but also reduces needless suffering and can improve Americans' quality of life. A smarter government that pays for results is common sense, but this is not how government is currently wired to think about public spending in social services.

Although government has begun to use data, evidence, and outcomes to drive decisions in certain policy areas, it has barely scratched the surface of applying these tools for *better social outcomes at scale*. At present, only a very small percentage of federal government spending on social policy is oriented to an outcomes mindset. Out of the \$1.11 trillion FY2015 discretionary budget, around 1 percent.ⁱⁱ was allocated to specific outcomes-focused initiatives.¹² Government does not need to funnel more money into social programs; it needs to spend existing money better by directing dollars toward smarter policy that achieves social impact.

The present government mindset for public funding views social responsibility through the lens of spending accountability, an institutionalized behavior that has heavily defined both the financial and policy infrastructure of our social services. As a result, spending and contracts are linked to the performance of activities without necessarily ensuring that these activities are achieving the outcomes policies set out to accomplish. While embodying the spirit of responsible government, this funding system *incentivizes compliance* without assessing impact, and *disincentivizes innovations* that could drive significant improvements

ⁱⁱ The estimate varies depending on what is classified as "outcomes-focused." For instance, the FY2015 budget allocates up to \$70 million for the Social Innovation Fund, with up to 20 percent allotted to Pay For Success initiatives, and up to \$300 million for the PFS Incentive Fund in the Department of the Treasury.

across communities. Our funding paradigm needs to shift to an understanding that accountability and social responsibility also means seizing opportunities to get to better results.

Public spending creates very real market incentives, and these financial incentives are presently aligned against new solutions. A classic example of misaligned incentives in public spending is found in higher education funding. For decades, government has rewarded universities for student enrollment without tying those payments to degree completion rates,¹³ creating a perverse incentive for higher education institutions to enroll as many students as possible while providing little incentive to ensure that students *graduate*.¹⁴ The consequences of this funding model reach well beyond the classroom. Students who enroll in college but fail to complete degrees face higher levels of debt and are three times more likely to default on loans, despite owing less than college graduates. These students also stand to earn 66 percent less than graduates, a disparity that averages to about a \$1 million difference in earnings over the course of a lifetime.¹⁵ Such unintended consequences do more than hurt students; they influence rates of income inequality, cut into American economic competitiveness, and reflect missed opportunities to develop more effective student retention and college readiness programs. Smarter government policy reevaluates these incentives and seeks solutions that incentivize universities to successfully enroll and graduate more students prepared for life after graduation. Smarter, performance-based measures such as these are being implemented, iterated on, and tested across the United States from Ohio to Florida to Tennessee, with the goal of increasing the retention and graduation rates of students facing social or economic barriers to completion.¹⁶

Smarter government requires asking what incentives the public market is creating, whether those incentives align with policy aims, and if incentives need to be adjusted. This is not easy, and it requires assessing whether government is even collecting the right data to find solutions and measure results. And of course, some outcomes (and problems) are easier than others to identify, measure, and fund.

Policymakers may not set the right incentives or find the best solutions the first time around, but the simple truth is that the current funding system already has perverse incentives to preserve inefficient programs and policies. Government can only gain by directing more funding toward finding creative and modern solutions to our greatest challenges. Government does not escape risk by standing still in a fast-changing world. An outcomes-focused agenda is a risk we must take because our country stands to lose much more if government does not adopt a smarter mindset for the twenty-first century.

Outcomes-focused funding is an approach that enables innovation and has the potential to revolutionize how social programs are delivered to citizens. By focusing on achieving outcomes, setting clear success metrics, and gathering the right data, government can leverage and replicate the incentive structures that encourage innovation and continuous improvement in the private sector. By clearly defining desired end results, and not prescribing the process

or set of activities to get there, government can catalyze innovation and stimulate a public sector market that rewards and incentivizes doing what works.

Outcomes-focused funding is just one piece of what is needed to build a smarter government, but it is a crucial stepping-stone that carries broad implications for how policymakers, government, and the public sector as a whole assess and *imagine* policy for the future. Innovating to an outcomes mindset will challenge policymakers and providers alike, but such a system ultimately offers government a far better path to comprehensive solutions to our country's greatest social challenges. In an age of big data and vast technological advances, this approach is a critical step toward unlocking the potential of government to think smarter and more holistically about social issues. Government must improve its current funding system not only because it makes economic sense to do so, but more importantly, because doing so will improve the lives of millions of Americans and propel our nation forward.

Overview: Transforming the System

Systems change is a highly complex and trying process. Meaningful transformation will only occur when government adopts a fresh, outcomes-focused mindset. All actors—policymakers, political leaders, and decision makers—must take concrete, interdependent steps to shift the current way government operates. Change will not happen organically. Leaders must foster the preconditions for success. Each of the action steps listed below is critical for this transformation and is discussed in detail in the following sections. These recommendations cannot be implemented in isolation; they rely on one another for the continuous learning and support that is critical for a successful new government system:

- **Create an outcomes mindset.** Foster a new institutional culture across government and stakeholders to change how policy operates within public programs;
- **Rally support for change.** Create the necessary political and civic context for sustainable change;
- **Develop the supporting infrastructures.** Construct the human and administrative capacity to support new policy and invest in robust data and evidence systems for adaptive learning;
- **Build an outcomes marketplace.** Shift the structure of public funding to encourage diversity and competition in the public service market and increase opportunities for innovation.

The following discussion provides guidance for policymakers and public sector leaders on how they can begin to work together toward real, transformational change. The recommendations outlined in this paper are intended to spark a critical dialogue and broaden the current conversation on outcomes-focused policy among the decision makers, advocates, and community members who together are vital to moving our country forward.

Transforming the System

Creating an Outcomes Mindset

An outcomes-driven government increases access to opportunity, makes government more accountable, and lifts every citizen. When government makes smarter cost-benefit assessments that envision larger economic and societal goals, every American wins. An outcomes-focused mindset helps drive solutions that empower communities while delivering services more effectively and generating both short- and long-term benefits for government and citizens.

To embrace an outcomes mindset, government needs to think about how business is done in the public sector in a new way. Current grants and funding agreements measure a set of activities with little to no consideration or measurement of whether these activities actually achieve policy goals. When government measures and funds for activities rather than results, it perpetuates a compliance mentality that permeates the entire system, from how government staff are trained to respond to citizens, to procurement practices, to how government approaches, assesses, and seeks to solve social problems.

Achieving better social results requires a mindset change at every level of government and across players in the nonprofit, philanthropic, and private sectors. All parties involved must learn to think in a way that rewards and continually measures for intended policy goals. This mindset shift requires government to reframe its questions from a position of accountability to one of outcomes: What is the root problem public funding is trying to solve with any given policy? What would a successful outcome or set of outcomes look like? How can achievement of those outcomes best be measured, validated, and rewarded? And how can government better collect and interpret data to test if it has found the right answers to these questions?

The current public funding system must be redesigned to incentivize, measure, and reward solutions and innovation over compliance. Government needs new financing mechanisms that deploy resources toward outcomes as well as new assessment and data collection methods to measure whether policies are achieving results and improving lives in communities. Administrative systems need to be reoriented to continuously monitor and evaluate policy based on impact. Government systems need to learn and improve from lessons about the effectiveness of policies and financial incentives. Without a fundamental shift in the mindset behind these financial and administrative structures, no number of pilots, interventions, or changes in procurement practices will produce better results from the public funding system.

This shift to an outcomes mindset is a massive disruption of existing institutional culture. Stakeholders should not be expected to adopt systems change easily or painlessly. To facilitate change and ease stakeholders' transition to a new system, government leadership needs to pursue five strategies to seed this new political and organizational mindset:

- **Identify allies with common goals.** Key groups of decision makers and stakeholders across the political and social spectrum are ready to adopt and support an outcomes-focused mindset. Some stakeholders might already see the value in shifting government to an outcomes market based on real rewards and consequences, and some of these stakeholders may already be working to implement policies and programs focused on results. Other groups stand to benefit from outcomes-focused funding but may not be aware of potential gains or how to operate in such a system. In other cases it may be easier to reach consensus on desired outcomes (e.g., increasing college graduation rates) than on the methods to achieve them. Government leadership needs to form alliances with partners across the political, nonprofit, philanthropic, and private sectors to garner the necessary support and momentum to propel policy forward. Successful coalition building can help direct social service systems to work together toward achieving better outcomes for struggling families, as it has in Cuyahoga County, Ohio (see Box 1).
- **Build centers of excellence and nurture new leaders.** Embedding an outcomes-focused mindset in government requires fostering a new generation of leaders. Only a small minority of government leaders innately understand what an outcomes-focused approach entails, know where to look for examples, and have access to experts and practitioners who can help advance such strategies. The first step for building new government leadership and expertise on outcomes-focused approaches is investing in and developing centers of excellence. These centers can produce modules, train staff, and design processes for continuous learning and improvement. Creating a learning culture and developing a cadre of experts to promote collaboration, produce new approaches, and support the adoption of outcomes-focused practices among staff is critical for long-term success. Similar approaches are being adopted in such cities as Chicago and New York, where government has established offices that recruit data scientists to help government make better use of analytics in its day-to-day decision making.¹⁷ However, using data more effectively and establishing independent offices is only the start of what is needed to shift all government leaders toward embracing and using an outcomes mindset.
- **Help stakeholders embrace change.** A change to an outcomes-focused system will inevitably produce apprehension among stakeholders concerned with such pragmatic issues as the future of existing policies and programs and the likelihood of receiving funding. Policymakers can disarm stakeholders' fear of change by nurturing trust, emphasizing shared values and goals, increasing transparency, and encouraging open dialogue. Government leaders will need to create an iterative system that uses evidence

and data to improve performance and share findings, while normalizing a degree of failure as a necessary component of innovation. Demonstrating the success of models such as Pay for Success, innovation funds, performance-based contracts, and other outcomes-focused prototypes will also help illustrate the appeal of this mindset to a broader group of individuals. Ultimately, moving toward an outcomes-focused system will appeal to many stakeholders because it grants both government and service providers the flexibility to spend dollars more effectively.

- **Find systemic solutions across agencies and sectors.** Getting better results often requires crossing traditional policy and program boundaries to solve for outcomes that do not fit neatly into any single government agency. The challenges confronting communities, individuals, and families often cut across administrative boxes. Families who have lost their homes interact with the foster care system, public housing, welfare, Medicaid, and many other services. It matters less which agencies provide which services, and more that the services actually help families regain their footing. To deliver better results for these citizens, cross-agency and cross-sector partners need to collectively solve for practical business challenges, institutional disincentives, and communication gaps within and across departments. For instance, one current disincentive to reform is the “wrong pockets problem,” that is, when program savings do not accrue to the agencies or governments who bore the original costs.¹⁸ Finding solutions to institutional disincentives such as the “wrong pockets problem” is a necessary step for systems change.
- **Provide the tools for change.** Civil service and government-funded frontline workers perform best when they are given the flexibility and the means to focus more on achieving outcomes and less on managing compliance. To support a shift to an outcomes mindset, government needs to build new systems to collect and share data and information. Access to better technology and real-time data (e.g., dashboards) is crucial for assessing performance on the ground and for managing long-term, collaborative approaches to implement, monitor, and evaluate policies across agencies. Political and civil service leadership should also prepare and train personnel in government agencies for new institutional practices. This process requires gradually reforming policy, continuously soliciting internal feedback on implications for frontline workers and communities, and carefully monitoring the consequences of new policy.

Partnering for Change:

America's First County-Level Pay for Success Project

Laurel Blatchford, Senior Vice President of Solutions, Enterprise Community Partners, Inc.

The Partnering for Family Success project in Cuyahoga County, Ohio is a vivid example of how big change happens when dedicated stakeholders from the public and private sectors join forces to tackle social problems. Launched in January 2015, Partnering for Family Success helps reunite foster children with their families by providing vulnerable families experiencing homelessness with intensive case management and access to family-appropriate housing. The program helps families reconnect with community support networks and regain their footing, reducing the need for out-of-home care. Throughout its four-year development phase, the Cuyahoga project has been made possible by champions both outside and within government, and by strong relationships with project partners.

The idea for Partnering for Family Success emerged when a local foundation learned about the Pay for Success model at a national conference. Pay for Success is a public-private partnership in which government agrees to pay an external organization if, and only if, the organization accomplishes the desired outcome. Often, external organizations turn to investors who bear the up-front cost—and therefore the risk—of achieving the targeted, successful outcome by contributing the working capital needed to implement the social services for the desired outcome. With the strong support of both the County Executive and a key senior staff member, Cuyahoga County began an exploratory partnership with Third Sector Capital Partners, Inc. (Third Sector). For the entire duration of the project's development, partners benefited from having a well-respected and connected funder at the table and a high-level and very capable County staffer driving the project forward on behalf of the County Executive.

Building support among all stakeholders required buy-in on two key concepts. First, although the same families were appearing in both the homelessness and

child welfare systems, social service providers were not evaluating how these services overlapped, and data indicated that neither system was adequately addressing the families' needs. Second, the idea of Pay for Success had to be sold to all stakeholders as a solution that could harness data-driven decision making to provide new and more effective systems of care by better matching families with needed services.

Several contextual elements were also critical to the project's successful adoption. First, access to shared data was essential. A long-term partnership between Case Western Reserve University (CWRU) and the Cuyahoga County Division of Children and Family Services enabled CWRU to use an existing integrated database that included child welfare data to create an evaluation plan, improve referral sources, and help identify outcomes from the outset.

Second, the County's political leadership was invested in systems change. Councilmember leadership helped introduce and pass necessary legislation for the program. The County additionally created a new staff position responsible for bridging data between the child welfare and homelessness systems.

Finally, throughout contract negotiations, Third Sector served as a strong and sensitive outside facilitator. The organization's efforts kept the project on track, allowed partners to get specific about implementation, and helped incorporate and balance the energy, capacity, and fresh perspectives of project investors.

As a relatively new project, many of the lessons learned for the Cuyahoga Partnering for Family Success project are yet to be uncovered. Partners are nevertheless hopeful that the strong spirit of collaboration built over the past three years will help the community's most vulnerable families for the next five years and beyond.

Rallying Support for Change

Citizens want assurances that government policies are making the best use of public dollars. Americans value essential government services and are willing to pay taxes to support those services if they know their tax dollars are being used effectively. The rising millennial generation, for instance, supports taxes to help keep students out of debt,¹⁹ 82 percent of working Americans would pay more in taxes to preserve Social Security,²⁰ and a majority of Americans think taxpayer dollars should be spent more efficiently before programs are cut.²¹ Americans, regardless of political party, are willing to support social programs if those programs are tied to clear outcomes, responsible spending, and better results.

Reorienting public funding to pay for results has all the hallmarks of a campaign stump speech, yet, despite broad bipartisan support, the political will to adopt an outcomes-focused financing system is not a given. Meaningful transformation of the public sector carries a degree of political exposure. These risks range from investing in goals that may not be realized in an election cycle, to drawing increased scrutiny to failing programs, to disrupting the long-standing assumptions and interests of vested stakeholders.

Implementing new policy and systems change requires leadership and vision, but it does not require breaking new ground. As detailed in *Funding for Results*, political leaders around the world have already used outcomes-focused public funding to drive impact and cultivate bipartisan support. Below are five steps political leaders can take to begin to rally support for systems change:

- **Change the budget dialogue.** A focus on outcomes means accepting that what works may not fit long-held assumptions, practices, or beliefs. Leadership needs to provide the flexibility to find, expand, and iterate on the best policies. This means moving beyond the polarizing political rhetoric currently associated with public funding to more productive, budget-oriented conversations about data, evidence, and what works.

For instance, federal funding to local law enforcement, such as the Edward Byrne Memorial Justice Assistance Grant (JAG) program,²² financially rewards localities for higher numbers of arrests and harsher sentencing, regardless of whether these actions lead to a reduction in violent crime.²³ Intended to reduce crime rates, these funding programs have indirectly led to disproportionately unequal and racially skewed arrests since the 1970s.²⁴ If funding is not producing the right outcomes, government must have the courage to assess and discuss what the right incentives are and reorient budgets accordingly.

- **Identify and address root causes.** Political cycles and pressing public demands incentivize a focus on policy solutions with foreseeable outcomes and easy wins. As a result, problems that are easily solvable, measurable, and politically salient receive the bulk of political attention. To date, outcomes-focused financing tools and payment incentives

have similarly directed policymakers' attention toward projects with more visible, immediate returns.²⁵

While addressing short-term needs and problems with clear solutions is necessary, government must also tackle the root causes of society's greatest challenges, whether or not they have easy answers. Root causes are hard to identify and hard to remedy. This often means solutions must aim for more long-term or intangible results. Researchers have found, for instance, that receiving Medicaid as a child substantially increases the likelihood a person will graduate from high school and complete college.²⁶ While there may be a clear link between childhood wellness and educational success, these outcomes are rarely measured together. Instead, policymakers tend to quantify childhood health indicators, but rarely quantify or measure such outcomes as workforce productivity gains. Yet, these benefits produce untold social value and profound impact on individual lives across the country.

- **Find a government champion.** Leaders must create the enabling political and policy environment to make change feasible within legislative and agency contexts. This includes identifying leaders in federal agencies and local and state governments who can champion outcomes-focused funding and broker structural challenges associated with budgeting and procurement processes.²⁷ In addition to political concerns, government leaders need to appeal to social service providers and stakeholders who may similarly block change if their members fear outcomes-focused policies will be used to advance budget cuts.²⁸

A government champion who is introducing outcomes-focused initiatives and has bridged bipartisan concerns at the local level is Ben McAdams, Mayor of Salt Lake County, Utah. In 2013, Mayor McAdams helped launch the Utah High Quality Preschool Program, a county-level Pay for Success program to expand high-quality preschool programs for low-income children.²⁹ Evidence suggests that government could save \$7 for every \$1 invested in education-readiness programs for disadvantaged children.³⁰ By convincingly demonstrating that the initiative could both save money and improve childhood outcomes, McAdams rallied members of each political party behind the need to invest in early childhood programs.

- **Plan for sustainability.** For long-term success, outcomes-focused funding needs to outlive political and personnel changes. Outcomes-focused policy must become part of the fabric of the way government does business, from government operations to procurement and budgeting processes.

One area where the spirit of outcomes-focused governing has become routine is performance-based budgeting. Performance-based budgeting requires governments or agencies to evaluate and prioritize policy goals with each budget cycle. State law in Minnesota, for instance, requires agencies to report spending based on performance

metrics. Although this process has been inconsistently applied, the state's budget operations director noted that performance-based budgeting has begun to produce a management mentality more closely aligned with seeking outcomes, from the "governor on down." At least eleven states have similarly implemented performance budgeting processes. Cumulatively, reforms in these states have reevaluated the effectiveness of \$80 million of public spending, with anticipated returns of \$38 in net benefits for every \$1 invested.³¹

- **Acknowledge potential opposition.** Systems change disrupts vested interests and presents challenges to stakeholders accustomed to traditional processes. Outcomes-focused reform also has the potential to create opposition among small providers who may rightly believe that money will be reallocated to larger, national providers. Political

BOX 2

NYC Juvenile Justice Reform—Part I

Bringing Parties to the Table: Juvenile Justice Reform in New York City

In 2006, the New York City Office of the Criminal Justice Coordinator (CJC) convened a diverse group of stakeholders to discuss reforming the city's juvenile justice system. Key leaders from the city's Department of Probation, the Law Department, the Police Department, the judiciary, the Department of Education, and what was then the Department of Juvenile Justice and the Administration for Children's Services met to develop a coordinated reform agenda that would reevaluate how the city handled juveniles moving through the justice system, with the goal of achieving better overall outcomes for youths and communities.

Together with the Vera Institute of Justice, the committee developed a risk-assessment instrument to help officials make better decisions about juvenile detention. It additionally implemented an Alternative-to-Detention program for low-risk youth offenders. Using a standardized risk-assessment tool across agencies allows partners in the system to test assumptions about what leads to rearrests. Agencies can use these resources to get better outcomes across both high-risk and low-risk offenders, cutting in half the rate at which juveniles are rearrested.³³

These reforms required new cooperation and coordination across city agencies as well as a mindset

change about the purpose of juvenile justice.³⁴ The Vera Institute identified four of the city's actions as key to achieving buy-in from stakeholders:

1. The CJC continued to convene the initial stakeholder group on a regular basis after initiating reform to increase information sharing and guide implementation.
2. Local teams of frontline workers reported back to the stakeholder group on a quarterly basis, allowing for collaborative problem solving and continual assessment of success.
3. The Vera Institute held workshops for city officials as well as forums for wider audiences to address concerns and questions about the reforms.
4. The city met monthly with a working group of service providers to solicit input, increase communication, and standardize quality of service provision.

Deliberate steps to engage and communicate with key stakeholders helped New York City successfully adopt a new mindset for juvenile justice that has altered assumptions about at-risk youth and improved outcomes for families.

leaders can build buy-in among stakeholders and ease transitions by facilitating interactions between a diversity of providers and groups. For example, regular meetings and cross-agency collaboration was a key pillar of New York City's successful reform of its juvenile justice program (see Box 2). Leadership should emphasize that, if done right, outcomes-focused funding gives providers needed flexibility to focus on outcomes and service provision. There also are additional institutional barriers to change, including built-in incentives to shift costs and populations onto other departments.³² Constructing a public dialogue, highlighting shared goals, and developing capacity can help create tipping points that invest all parts of the ecosystem in the game.

Developing the Supporting Infrastructures

Fostering a new mindset and favorable political climate for outcomes-focused policy is crucially important for success, but these are only two of the preconditions needed to build a smarter government. True change requires robust investments in new government infrastructure that institutionalizes and operationalizes an outcomes-focused approach.

An outcomes-focused system requires government-led adoption of infrastructure for three key areas:

- **Data and Evidence.** Government needs to create a data infrastructure with the technology to effectively collect, manage, and analyze both quantitative and qualitative data and to develop knowledge about evidence and impact.
- **Knowledge Sharing.** Government needs to construct new ways to evaluate and share policy, data, and evidence through a knowledge-sharing network. Government can adopt the best knowledge-sharing practices from the private sector while remaining true to its public mission.
- **Human Capital.** Government needs to make critical investments in human infrastructure to design and lead new departments, revise existing administrative practices and procedures, and translate data and evidence into policy decisions.

While the initial investment required to build these infrastructures is substantial, the upfront cost will more than pay for itself through realized savings in the long term.³⁵ Across the private sector, successful companies in technology, finance, and consumer industries already understand that paying for good information is well worth the money: investments in technology, infrastructure, and access to data help companies make more informed decisions and gain a competitive edge. Government can learn from these lessons and models to create the infrastructure needed to drive a smarter government focused on results.

Data and Evidence Infrastructure

There is no shortage of data in today's world, but that does not mean all data is good data. Government at all levels has a critical need for new infrastructure to collect and circulate better data and evidence. This requires a shared definition of what is meant by data and

Defining Data and Evidence

Assembling and using data more effectively requires a broader conversation about how government defines data and evidence, and how this understanding relates to other definitions, including those used by providers and the private sector. While these two terms are often used interchangeably, data and evidence can have very different meanings across sectors, and even across governments. How data and evidence are defined has significant consequences for program evaluations and policy decisions.

For the purposes of this paper, data is defined as the broadest category of information available, whether or not this information is used to demonstrate impact. Data can be both qualitative or quantitative. Employee performance reports, the number of people served by a program, and academic studies about interventions and policy are all very different, but equally important, types of data. Evidence refers to a very specific category of data. Evidence here is defined as the positive results from evaluations or assessments that prove the level of impact of a policy or program.

evidence and an infrastructure to help establish knowledge about impact. Governments need data and evidence to effectively evaluate programs and providers and to learn from and improve performance in real time. To collect the right data, government needs to know what problem a policy is trying to solve, what outcomes and metrics would demonstrate success, and what data is needed to assess whether outcomes were achieved.

Consider how government might measure the outcomes of a hypothetical employment services program. The ultimate goal of a job placement program is to help people find and retain stable employment. In the current system, government might track such data as the number of people participating in the program or how and what types of services were provided to jobseekers. While this is important data, it does mirror the types of more outcomes-focused metrics that could indicate which types of jobseekers are placed in jobs more easily, which training approaches are more effective for which populations, and which providers are delivering the best quality of service. To meet outcomes-oriented metrics providers might instead track such data as successful job applicants' compensation, whether they obtained work in the field in which they were trained, and how long they retained their positions. These types of data help policymakers understand how social factors are connected and which incentives lead providers to produce the best outcomes. More importantly, collecting outcomes-focused data helps build evidence about which policies and models work consistently in and across populations.

Collecting outcomes-focused data requires government to continually monitor baselines, interim measures, and longitudinal data points to assess how social policies are performing over time. This requires creating data collection practices, tools, and systems across government, not just to understand what programs are effective, but also to make informed and timely judgments about how and when programs are working.

For instance, evaluating how a given social policy or program responds to changing economic conditions, demographics, and human behavior requires both historical and current data to avoid unfairly penalizing providers. When the Australian government reformed its job services program beginning in 1998, policymakers institutionalized mechanisms to analyze and adjust performance measures in response to changes in the economy and participant demographics. This adjustment helped level the playing field for successful providers facing uncontrollable fluctuations in outcomes reporting due to national or regional trends beyond their control.³⁶ In a flexible, data-driven system, policymakers can adjust and iterate on outcomes-focused payments, incentives, and intervention approaches as they learn more about what works and what does not in real time.

Smarter government needs to rely on smarter approaches to sharing, interpreting, and acting on both new and existing data. To establish a robust system for tracking outcomes across government and responsibly drawing conclusions about evidence and impact, government should start with five essential steps:

- **Expand government understanding of evidence.** What “counts” as evidence is a crucial—and crucially difficult—question. The public sector is in need of a much more robust conversation about how to measure, collect, and think about data (both qualitative and quantitative) to demonstrate evidence in outcomes-focused models. The current conversation around outcomes-focused policymaking largely prioritizes rigorous evidence as the only acceptable proof of impact, but rigorous evidence may not always be available or feasible. An outcomes-focused government may need to accept a spectrum of data and evidence from early- to late-stage knowledge as well as a range of methodologies to measure results.³⁷ Additionally, if government is to promote continuous learning and innovation, it needs to more regularly ask whether the data used for evidence is reliable, high quality, and current, and what range of data and what types of data can help government better understand impact.
- **Build expertise within government and through partnerships.** Setting the right metrics and gathering the right data to produce evidence requires expertise and vigilance. Data can tell whatever story you want it to tell. Poor data collection practices can produce perverse incentives, false indicators, and selection bias. To help avoid these pitfalls, government needs to rely on expertise that is not necessarily available in existing government institutions. Governments should work to build this capacity where it does not already exist and collaborate with third-party partners, such as research organizations, consultants, and academics, to help support initial and ongoing practices of evidence gathering, management, and analysis. One example of an existing partnership between academia and policymakers is the Massive Data Institute at Georgetown University’s McCourt School of Public Policy. Founded in October 2013, the Institute brings together scientists and policy practitioners to transform the extensive amount of data from across government agencies into actionable information for policy decision making in such areas as education, health, and poverty.³⁸

- **Create a diverse data marketplace for better outcomes.** Social policies often cut across sectors and agencies, and when they do, complementary data may be available from different sources. In many cases, related and essential data is tracked across different governments, departments, agencies, and organizations. Where possible, government should compile a diversity of data on any given policy or program to help draw holistic conclusions about impact and outcomes. Data from diverse sources helps government by providing a more complete picture of whether outcomes are being achieved across social indicators and whether flaws might be present in other existing data. While sharing existing data sounds easy in principle, in practice it requires significant investment. A necessary, but not sufficient, first step would be to make all data and evidence about policy available through some form of a “digital filing cabinet.” The U.S. Department of Education and the National Science Foundation, for example, have started this process by establishing common guidelines for each type of research study with the intention of increasing data sharing across agencies and helping each agency make more informed decisions on research investments.³⁹
- **Develop standardized practices for data and evidence collection.** Policymakers cannot make better decisions without access to readily available, and readily comparable, data and evidence. This requires standardization. Wherever possible, government should connect, standardize, and itemize data and evidence in centralized clearinghouses. This allows for data and evidence to be usable across diverse sources and supports governments and providers that cannot or have not developed a robust capacity for analyzing data. Although it is not always possible for local, state, and national agencies to coordinate their data, the importance of being able to compare a variety of departmental data cannot be overestimated for the long-term success of outcomes-focused policy. This is especially clear in the case of New York City’s efforts to reform its juvenile justice system, where standardizing data across city agencies was essential to reaching better outcomes for youth (see Box 3).

Imagine how much more effectively government could evaluate policy outcomes if even 25 to 30 locations across the country, teamed with a group of experts in data analysis, started participating in organized repositories of outcomes on social issues. One state leading the way on data integration is Arkansas. In 2008, with the help of a grant from the Institute for Education Sciences’ National Center for Education Statistics, the state established the Arkansas Research Center (ARC). ARC collects statewide longitudinal data on students from preschool to graduation so that parents, teachers, school administrators, and state human services agencies can compare year-by-year changes, assess where schools are succeeding or falling behind, and implement new policy to improve educational and life outcomes for Arkansas’s youth.⁴⁰

NYC Juvenile Justice Reform—Part II

Uniting Partners and Data Sets: How NYC Used Common Metrics To Improve Outcomes in Juvenile Justice

Linda Gibbs, Former NYC Deputy Mayor of Health and Human Services

Before New York City began the successful reform of its juvenile justice program in 2006 (see Box 2), the city faced significant challenges in finding a common baseline for measuring youth outcomes and increasing communication among nonprofits and city and state departments.

My weekly meetings with what was then the Department of Juvenile Justice had become a game of brinksmanship over whether we had enough capacity to make it through the week and meet demands for the number of new placements entering juvenile detention. I was insistent on finding better alternatives to our existing system, which made the Commissioner of Juvenile Justice nervous. He had no control over the other parts of the justice system, and “reform” meant he would need to ensure he could handle the consequences of other agencies’ behaviors.

When I suggested bringing everyone together to address problems collectively, his response was, “Good luck!”

To give some perspective on the problem, a single young person moving through the juvenile justice system in New York City typically interacts with six different public agencies under three independent branches of government—the city, the state, and the courts. Good luck, indeed!

Undaunted, that is exactly what we did. We worked to build a shared vision of what we were trying to achieve for young people. Aside from the hard work of establishing a shared vision, the work of creating a common data set was enormous. We started by setting a standing, biweekly meeting with all stakeholders. At the beginning of each meeting,

I asked everyone to bring the data they used to measure workload and dispositions. We started by sharing and figuring out what each one of us knew, and, as each agency presented in turn, we tried to create a sense of shared process.

The discrepancies and mismatches between systems quickly became obvious. Each agency had a different data definition: some counted events, others tracked people, and others counted units of service. We could not even answer simple questions about what happened to youth when they were convicted of crimes as juveniles. A challenge? Certainly. But with a shared vision focused on avoiding placements and improving youth outcomes, the different parties eventually realized that they needed to make changes to achieve these goals.

We created workgroups to develop a common set of data points and definitions and shared what we found with each other. Gradually, everyone began to work together to develop a shared data set that allowed us to know what was happening to young people as they moved through the system.

Making all the partner data talk effectively to each other was hard work, but essential to the reform. In fact, it accelerated reform—getting us to a better system with better results, faster. Our efforts, along with investment and parallel reform efforts, contributed to a 60 percent decline in juvenile placement and a 35 percent decline in juvenile detention. Establishing common metrics helped the individual partners see themselves not as independent entities but rather as highly interdependent actors whose behaviors had significant consequences for each other.

- **Protect data privacy.** Addressing issues around data privacy is crucially important. Across all levels of government, the collection, analysis, and storage of user-level data should prioritize privacy while simultaneously allowing government and providers to learn from user experience at the individual and aggregate level. Communities, privacy advocates, and policymakers should have a more open dialogue on the difficult questions around how to balance the need for personal data to achieve better outcomes with the need to protect individual privacy.

A good example of the importance of user-level data, as well as its dangers, concerns longitudinal information collected on children. To assess whether high-quality preschool is effective and a good, long-term preventive intervention for at-risk children, governments need to track personal data across agencies for years at a time. In this case, the data must track how individual children fared in school relative to their peers, whether they entered the juvenile justice system, and ideally, their life trajectory after exiting the school system. Government and stakeholders need to address parents' and child advocates' reasonable concerns about the privacy of children's data while still finding ways to use data to help people succeed.

Knowledge-Sharing Infrastructure

To translate data into action, governments need a robust knowledge-sharing infrastructure to help both agencies and service providers make smarter decisions and reach better outcomes together. A knowledge-sharing infrastructure can turn data and evidence into shared indicators, analysis, rapid learning, and evaluation. Connecting these evidentiary dots with findings from academics and field researchers helps policymakers construct a stronger knowledge base about what policies work, under what circumstances, for which populations, and why effective policies work. The knowledge building needed for smarter, outcomes-focused government cannot happen in silos. Lessons learned need to be actively collected, shared, and distributed across all levels of government and service providers.

An effective knowledge-sharing infrastructure requires transparent, meaningful, and timely reporting on program results as well as mechanisms for policymakers to access and actively learn from this knowledge. Creating an infrastructure for effective knowledge sharing begins with four action steps:

- **Develop a public knowledge network.** An open and transparent knowledge network allows providers and government to quickly assess what has and has not worked in the past and why. Government can increase the transparency of programmatic and evaluative data by regularly and publicly disseminating evidence about successful interventions and practices funded through public dollars. A public knowledge network should share information on which providers and policies are succeeding, in which contexts, and provide analyses of the core principles responsible for achieving those successful outcomes. Access to evaluations of effective policies not only helps providers and

government learn from existing models, but also levels the playing field among organizations with varying data collection capabilities. Public dissemination of evaluations also helps raise decision makers' confidence in the potential of outcomes-focused policies.

While government should establish its own knowledge networks, cross-sector partnerships can also generate effective public knowledge networks. One example of such a partnership is the City Initiatives for Technology, Innovation, and Entrepreneurship (CITIE), a framework and diagnostic tool that lets cities around the world assess how they perform against other cities on key policy levers found to effectively encourage innovation and entrepreneurship.⁴¹ The CITIE framework groups participating cities into policy clusters depending on their different approaches to the same policy objectives, allowing them to compare their efforts.⁴² As the Chief Information Officer for the City of Melbourne summarized, "We are moving from organized stockpiles of knowledge to participating in active flows of knowledge. So understanding what those flows are and how you can tap into them is becoming increasingly important."⁴³

- **Encourage active learning.** Government needs to promote a culture of active learning across the public sector. There is not yet enough knowledge among policymakers and providers about what works across social services, or even sufficient baseline assessments across programs, because the current system is not set up to track data related to outcomes, much less pull knowledge from this data or create feedback loops when new data exists. To increase learning about what works, governments and stakeholders need to actively pursue new interventions, purposely build knowledge from these efforts, and communicate regularly. When Tennessee reformed its foster care system in 2006, the Department of Children's Services held weekly calls with providers so that all parties could learn and adjust to the new system on a real-time basis. This weekly check-in process helped the state actively learn during the implementation of the new performance-based contracting system, allowing policymakers to remedy perverse incentives and develop better metrics for outcomes on an ongoing basis.⁴⁴
- **Use field scans.** The administrative infrastructure for funding and evaluation should allow government to detect both positive and negative anomalies when conducting field scans of existing programs, policies, and pilots. Analysts need to track and identify success indicators not only across entire policy areas, but also on the level of individual programs. If administrators detect an outlier with a positive impact, existing mechanisms should help assess whether the success can be scaled across larger systems.

To illustrate this process, consider a high school where one teacher's students graduate at higher rates and achieve better test scores than the rest of the student population. An ideal outcomes-focused system with a robust knowledge-sharing infrastructure should help policymakers determine whether these results are due to a replicable process, such as curriculum design, or whether they are the result of a non-scalable factor, such as an exceptional teacher.

Institutionalize knowledge sharing within and across governments. Knowledge sharing within government is critical for the long-term success of outcomes-focused policy. Government needs to move from sharing mostly within departments and agencies to a more collaborative system that shares knowledge across government. Currently, government agencies at all levels lack mechanisms and incentives for knowledge sharing. This leads to duplicative processes in which various agencies overserve the needs of some populations and underserve others through overlapping policies. While government has begun to institutionalize the sharing of data, evaluations, and programmatic reports, incentivizing knowledge gathering and making existing data more broadly available needs additional investment. A systematic approach to knowledge sharing requires government to turn programmatic reports and data into analysis that helps guide decision making, a process which may require developing cross-sector partnerships and adopting new technological infrastructure (see Box 4).

BOX 4

Using Data to Build Policy Knowledge: Predictive Analytics and Algorhythm

Algorhythm is a start-up seeking to help governments think more deeply about outcomes-focused policy decisions through real-time impact assessment tools. The company developed software to help governments and policymakers make better decisions about policies by evaluating what results the policy achieved, how the policy affected specific populations, how well the policy met its intended outcomes, and then predicting the probability of future outcomes.⁴⁵ So far, the software has helped New York City more effectively evaluate its after-school programs, the antihunger nonprofit Feeding America make smarter grants, and the state of Florida reduce juvenile recidivism.⁴⁶ In Florida, the model (which is still in testing) is being used to improve and refine current risk assessment methods for juvenile justice, such as the one used in New York City (see Box 2 and 3).⁴⁷

Algorhythm relies on an increasingly popular program evaluation method known as “predictive analytics.” Predictive analytics includes a wide range of methods with potentially profound implications for policymaking. These methods are unique from other program evaluations in that they rely on existing data to anticipate outcomes: for instance, which demographics will benefit the most from interventions and what factors might drive participation in programs. This approach has significant implications for assessing whether a policy is likely to work in a new neighborhood, as well as figuring out what prompts and services might work best for citizens entering or exiting social programs.⁴⁸

Human Capital

The success of outcomes-focused policy ultimately hinges on government's ability to strengthen human capital and shift mindsets within its ranks. A smarter, outcomes-focused government that makes the best use of data, evidence, and knowledge infrastructures fundamentally requires parallel investments in human infrastructure. Government needs fresh models for partnerships and collaboration and dedicated human capital to manage new funding, evaluation, data, and administrative mechanisms. Human infrastructure and personnel buy-in is also critical for developing meaningful, interagency, and cross-sector partnerships. The human infrastructure piece is so intimately tied to changing how government operates that many of the implications for human capital have already been introduced with the discussion of other recommendations, especially within the context of building the "Data and Evidence Infrastructure."

However, to intentionally begin to expand human infrastructure, government can take additional, proactive actions. For instance, to initiate the process of change, each level of government should create a unit devoted to implementing the administrative components of outcomes-focused policy. Government agencies and departments need new procurement practices and contracting systems responsive to outcomes-focused processes, and need these units to develop best practices and train personnel. Service providers and nonprofits likewise need to gradually build human infrastructure to adjust to new systems of funding and evaluation and orient programs to outcomes metrics, in the same way that Youth Villages has done to better serve vulnerable youth in Tennessee (see Box 5).

Restructuring, retraining, and supplementing existing human infrastructure within government will take time, and continuous improvement and active learning is essential to this transition. As recommended in *Funding for Results*, governments should allow enough administrative flexibility to let new processes and mechanisms evolve over time with lessons learned.⁴⁹ In addition to previously discussed reforms, government must also begin thinking about and investing in two essential human infrastructure competencies to make a transition to outcomes-focused funding feasible:

- **Support gradual changes in provider infrastructure.** Change to a new mindset and way of operating does not need to happen all at once, and nor should it. However, government should accelerate change where the possibilities exist, especially through financial incentives. Contracts that tie a portion of payments to outcomes can begin the process of meaningfully measuring results, while also allowing both providers and governments to learn from change in real time. This stepped approach gives providers more flexibility to meet goals and priorities, while also spurring some providers to shift the way they manage operations. Governments must offer clear and transparent calculations for incentive payments and performance funding to assist providers in navigating this transition. As more outcomes-focused funding models are tested, it will become easier for policymakers to assess the most effective ratio of up-front to performance payments.

Social service providers, too, will gradually identify the most appropriate ways to train and credential managerial and accounting staff for outcomes-focused service provision. Transitioning to outcomes payments can lead to dramatic changes in infrastructure and mindsets across stakeholders. These transformations ultimately yield better results for government, providers, and citizens alike. For more examples of how governments have implemented outcomes-focused payment structures over time, see the Beeck Center's report, *Funding for Results*.

- **Shift government contracts and training to fund for outcomes.** Outcomes-focused financing requires new forms of contracts and grant agreements with built-in metrics and contingency clauses. Policymakers need to be mindful that this new approach demands adjustments to existing procurement practices, as well as the retraining and hiring of personnel to design and manage these new practices. There are at least three areas where reform is essential. First, government needs staff able to carefully choose performance metrics, as these drive incentives and determine results. Second, funding

BOX 5

Building Capacity Through Shared Mission: Youth Villages' YVLifeSet

Youth Villages is a Tennessee-based nonprofit that runs community-based programs for 22,000 at-risk youth and families across 12 states.⁵⁰ Youth Villages has been able to grow its capacity and serve diverse groups of youth and families through an organizational emphasis on shared philosophies, common core principles, and fidelity to a model that prioritizes developing family support and long-term holistic care.⁵¹ An equally crucial, yet sometimes overlooked, component of Youth Villages' success is a results-oriented approach that emphasizes continually collecting and sharing best-practice knowledge.

One of Youth Villages' programs, YVLifeSet, has experienced a great deal of success. This transitional living program has successfully boosted its participants' earnings by 17 percent, decreased the likelihood of homelessness by 22 percent,⁵² and promoted a host of other positive life indicators, including stable living conditions and higher rates of

employment and graduation.⁵³ Youth Villages' success largely depends on two key principles related to shared knowledge and evaluation. First, Youth Villages emphasizes outcomes-driven programmatic change by actively tracking trends in its youth population both during and after receiving services, and adjusting its approach accordingly. Second, Youth Villages promotes consistency across its youth interventions through shared learning in the form of a treatment manual containing approved, evidence-informed techniques for youth engagement, as well as regular, regional clinical supervision to ensure that providers implement treatments appropriately.⁵⁴ The sharing of best approaches and related evidence, coupled with an institutional culture focused on outcomes, has made it possible for Youth Villages to provide consistent service across youth populations in diverse demographic, cultural, and economic contexts.

agreements need to include the flexibility for government personnel to make adjustments when established performance metrics and incentives are misaligned or unfair to providers. Third, new contractual procedures will require government at all levels to adjust the training and oversight of procurement, grant, and contract management staff. Other adjustments might include new tools for oversight, new methods of brokering and facilitating agreements, sharing of best practices, new audit and reporting requirements, and considerations for how savings are distributed across different agencies and levels of government.

Building an Outcomes Marketplace

When policymakers reward innovation by aligning clear goals with the financial incentives to achieve them, providers are given the flexibility to find new and creative solutions to problems over time. Funding in social services does not currently open the door to innovation, but government funding in other policy areas has been driving innovation for decades. Public funding fueled some of the greatest achievements of the twentieth century, including essential innovations in railroads, the Internet, life-altering pharmaceuticals, and nanotechnology.⁵⁵ A National Science Foundation grant funded the algorithm that launched Google's success.⁵⁶ None of these achievements would have been possible without targeted government funding to encourage risk and research in areas business and the market were initially unwilling to assume.⁵⁷ Investment in our social programs should be no different. Government should actively push outcomes-focused funding to drive innovations and improvements in social services by defining goals, providing real financial and administrative rewards, and allowing providers to deliver services in more effective ways that make sense for the populations they serve.

Directing funding to spur innovation is only the first step. Policymakers also need to institutionalize mechanisms for the adoption and routinization of the most successful models and ideas produced through outcomes-focused public spending. This will require government to continually assess data for evidence that financial incentives are aligned with intended outcomes, and make adjustments accordingly. With new and careful management of financial and institutional incentives, government can establish a “funding pipeline” that drives and rewards a marketplace of ideas for social services and helps government and providers develop innovative ways to deliver better social outcomes at better price points.

If government is to operationalize outcomes-focused funding to drive innovation, it must commit to two key practices:

- 1. Fund for Innovation and Outcomes.** Outcomes-focused funding should comprise a larger portion of government spending on social services. While there are many potential models to transition spending within individual agency and government contexts, policymakers should work to build a funding system that fosters a competitive marketplace for innovation. The section that follows provides one example of how an agency could fund and transition successful pilots to larger pools of public spending.

- 2. Promote and Support Providers.** As government realigns spending and financial incentives, it should consider how to incubate and best support a diverse market of providers to widen the door to innovation and new social service models.

Fund for Innovation and Outcomes

To fund for innovation and outcomes, government and stakeholders must be administratively and politically prepared for change. Over time, government should dedicate larger and larger portions of public funding to outcomes-based agreements. There are potentially many different funding structures for outcomes-focused policy, but traditional procurement policy limits these possibilities. Government needs to change the way procurement works in social services. One possible way to structure public funding for outcomes-focused interventions—discussed below—envisions a “pipeline” that uses discretionary money to fund pilots and move the most successful policies to larger funding pools. Another example of reform on the local government level is an effort in Salt Lake County, Utah to consolidate federal Community Development Block Grants to more effectively fund solutions across municipal boundaries (see Box 6).

While the funding pipeline proposed below is only one possible model, the important point is that policymakers need to start thinking about and developing public spending models that can fund outcomes-driven demonstration pilots and scale successful lessons to improve social service policies. Regardless of whether funding reform occurs through statutory authority, matching funding with state and local dollars, or some other mechanism, policymakers and public sector leaders need to explore new ways to move beyond current investments in outcomes-focused pilots and Pay for Success (PFS) initiatives. While these initiatives, including Innovation Funds, PFS pilots, the Performance Partnership Pilots (P3), and measures in the Workforce Innovation and Opportunity Act (WIOA), are a critical first step, more substantial, sustainable budgetary commitments will be needed from government and the private sector alike to truly move the needle toward smarter government.

Government, philanthropy, and the private sector should also work together to foster a market of providers and governments willing to embrace outcomes-focused pilots prior to implementing a pipeline. Stakeholders can begin to seed the market in two ways:

- **Provide incentives for governments and providers to get in the outcomes business.** Government can subsidize the strategies and systems needed to develop outcomes-focused solutions. Incubators, competitions, prizes, and challenges all encourage new and diverse providers to begin to develop capacity. These mechanisms also allow government and providers alike to test outcomes-focused strategies in a low-risk environment.
- **Create competitive funding pools for pilot models.** A competitive funding pool dedicated to financing demonstration pilots, testing new models, and gathering knowledge should be created to nurture promising innovative pilot interventions and policy ideas that are

untested, or that lack a body of research, existing knowledge, or evidence. Information from well-designed models and evaluations can be used to inform future policy iterations for service providers, and the recontracting process can help both governments and providers continuously improve from each round of trials. Government investment in social service activity should also be accompanied by philanthropic and private sector involvement. A diverse pool of investment dollars is necessary to innovate policies with the potential to transform social service delivery.

A funding pipeline model to test and scale successful pilots

The accompanying illustration provides an outline of a possible funding model to scale up successful pilot approaches to state- and national-level spending, but government itself also needs to innovate procurement and funding practices over time through three key actions:

1. Move successful pilots through the pipeline.

In the funding pipeline, programs and policy models become eligible for a larger portion of dedicated public spending as confidence grows about the ability of a specific approach to achieve its intended outcomes. Spending could be broken into tiered funding pools specifically designed to develop, scale, and refine outcomes-focused interventions, depending on the number of trials or the level of available evidence. This type of funding is already happening at the federal level through such initiatives as the Investing in Innovation Fund (i3) and the Social Innovation Fund. Philanthropy and private sector funders can partner with government at this stage to match funding and help create more transparent data analysis and knowledge sharing on what works.

2. Integrate proven interventions into agency funding.

As new models and approaches are funneled through the pipeline by consistently achieving outcomes they should have access to larger

pools of federal spending in relevant agencies, such as formula funding.

Through repeated testing and implementation, outcomes-focused interventions will start to be recognized as programmatic best practice. Individual agencies will need to assess standards and set performance benchmarks to determine when programs and policies are ready to move forward through the pipeline. Evidentiary benchmarks should be flexible enough to encourage a range of evidence and models, but specific enough to promote transparency, consistency, fairness, and longevity through changes in administrations.

3. Expand the pool of federal dollars dedicated to outcomes-focused policies.

Government can increase its investment in outcomes-focused models as more suppliers enter the outcomes-focused funding market and provider capacity increases. As policymakers gain more insight into what types of policies work and what types do not, government can reallocate money from less effective models and policies to more effective ones. As return on investment is more reliably demonstrated, Congressional allocations and private-sector support for outcomes-focused financing tools such as PFS should increase.

Salt Lake County, Utah: Streamlining Federal Dollars to Improve Local Outcomes

Jeremy Keele, Managing Director, Sorenson Center, University of Utah's David Eccles School of Business

Salt Lake County's efforts to restructure the way it allocates federal Community Development Block Grants (CDBG) is an example of how governments can start to shift formula funding to a more thoughtful, outcomes-based framework. In previous years, the cumbersome process of applying for federal funds from up to 11 different local jurisdictions ate up an enormous amount of time, with providers spending as much as five months a year filling out paperwork, attending public hearings, and crafting funding requests. In this fragmented system, CDBG funds were satisfying certain provider needs, but not moving the needle on big social problems in the community.

In 2014, Salt Lake County Mayor Ben McAdams decided it was time for a change. Under McAdams's leadership, the county worked with local elected officials to consolidate the various CDBG applications into a single, streamlined process that pooled their monies into one \$2.2 million fund that can be allocated to addressing systemic causes of the region's most pressing social problems.

As a result of these changes,

- Governments are talking to each other and meeting periodically to decide on the county's collective outcome targets;
- Governments can collectively pay for programs that would have been too expensive for any one jurisdiction to afford on its own;
- High-quality service providers can focus on achieving agreed-upon outcomes rather than juggling the administrative hurdles of multiple grants;
- Governments can more effectively measure and hold providers accountable for achieving policy priorities;
- Funding is going where it is most needed, regardless of jurisdictional boundaries.

Government officials and service providers in Salt Lake County have largely embraced these changes, which they believe are leading to greater efficiency and impact in their communities. While the funding changes only took effect July 1, 2015, the streamlined and unified application process has already revealed benefits for the citizens of Utah's most populous county. Grants within the county will help fund meaningful projects in high-need areas, including improved public facilities and services for low-income populations.

Promote and Support Providers

In the early stage of implementing outcomes-focused funding models, policymakers must actively ensure that a diverse market of providers—from for-profit to nonprofit and local to national—experiment with models for better results. Innovation happens when ideas and participants are welcomed to the table. It does not happen when government narrows the roads to success and outcomes.

Government funding should support not only organizations with the resources to conduct rigorous evaluations, but also effective local providers who contribute much-needed knowledge, outreach, data, and relationships to social services. Funding for outcomes does not mean moving from a set of regulations on how to spend money to a new set of regulations on what types of providers or models constitute success. When government pays for outcomes, it uncovers new, different, and successful models precisely because it ceases to prescribe what a successful model should be. To open all roads to success, governments should consider two institutional measures to encourage the development of a diverse and innovative provider market supported by an existing ecosystem of outcomes-focused stakeholders:

- **Balance provider risk.** Change always creates risk. Shifting to outcomes-focused funding may carry financial and organizational risks that discourage potential service providers from entering the market. To help willing providers adjust to change, the initial risk barriers for participation in outcomes-focused funding need to be low enough to allow a range of providers with varying capacities to enter the market. If the percentage of funding tied to performance measures is too high or calculated using limited metrics, these barriers may dissuade the entry of new providers and cause government to lose out on creative solutions. Policymakers need to assess and iterate on the right funding ratio over time, so that providers are placed on a gradual risk curve. Additional challenges, suggestions, and examples about how to implement payment risk over time are presented in *Funding for Results*.⁵⁸
- **Manage for a diverse market of providers and approaches.** The public sector market, like all markets, requires competition to drive innovation and keep costs low. The outcomes-focused marketplace must therefore be accessible to service providers of all shapes and sizes. This may require policymakers to distinguish between scalable models, such as home visits for low-income mothers, and scalable policy approaches, such as targeted interventions for youth in specific neighborhoods.

Governments need both scalable models and local solutions. Both are essential for solving our greatest challenges. And both require new administrative and financial flexibility. Government can support a range of approaches, intermediaries, and providers by setting benchmarks that allow individual providers to craft unique implementation plans matching diverse populations and capacities. The State of Maryland, for instance, was able to reform its foster care system by articulating clear goals, setting benchmarks, and communicating these to providers (see Box 7). Increased flexibility also allows

Using Evidence to Improve Outcomes:

How the State of Maryland Reformed its Foster Care System to Get Better Results for Youth

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In 2007, the Maryland foster care system was failing to achieve the best outcomes for its children. Over 10,000 Maryland youth were in the foster care system, and 2,000 of those children were living in group homes. In the City of Baltimore alone, the number of children in foster care was three times the national average for similar cities.⁵⁹ Such high populations reflected key structural weaknesses in the state's foster care system, including an overall lack of data analysis, outdated child welfare practices, and poor contracting conventions for group homes.

In response, Maryland created the “Place Matters” initiative. To get to better outcomes for kids, Place Matters focuses on fundamental goals driven by a need for research, evaluation, and new benchmarks:

- **Articulate core values.** Under the leadership of Secretary Brenda Donald, Maryland's Department of Human Resources (DHR) worked to instill a new set of guiding principles for DHR staff, focused on placing children in the most appropriate, least restrictive, and closest setting to their original home, while minimizing length of stay in the foster care system.
- **Improve data collection and analysis.** Under Place Matters, DHR started to track child welfare progress in six key areas, including the number of children in foster care, the number of new children entering foster care, and the number of children placed in group homes and family-based settings.

- **Use research and best practices to drive service.** With the support and partnership of a host of national and local experts, DHR worked to develop a family-focused case practice more likely to have better outcomes for children in care. In the new, family-centered model, families were invited to participate in the child welfare decision-making process.
- **Reform provider practices to reflect goals.** DHR leadership worked to obtain greater regulatory authority over group homes, with the ultimate goal of improving quality and restricting the use of congregate care. Leadership worked with group home providers to share the findings of new “report cards” on their performance and developed a competitive procurement process to select top-performing group home providers.

The child welfare picture in Maryland has dramatically improved since the start of the Place Matters initiative. The number of children in foster care has decreased by 50 percent since 2007. The use of group homes has also markedly declined. Of children entering care, 81 percent are now successfully placed with families, and there are currently fewer children in state foster care than at any time in the last 27 years.⁶⁰ Nationally, Maryland's state child welfare services ranking moved from 51st to 34th between 2006 and 2012.⁶¹ Aligning service delivery with clear goals has moved the state of Maryland from a nationally underachieving foster care system to one that is united behind better outcomes for youth.

government to learn from and support providers who innovate outside the public funding system.

Today policymakers and political leaders have an unparalleled opportunity to fundamentally transform American government to an outcomes mindset that can leverage the best financial and technological resources available. To get there, all stakeholders will need to shift the way business is done in the social service sector. The public sector needs to think more deeply about the problems society is trying to solve. Government needs to reorient public policy away from decades of public funding inertia and a check-the-box mentality toward a dynamic new funding approach. Policymakers and political leaders need to embrace challenging agendas that strive toward long-term, hard-to-reach outcomes. And all stakeholders need to accept that solving our most intractable social challenges may also mean learning from failure on the road to innovative breakthroughs and smarter government.

What's Next for Stakeholders

Creating a smarter, outcomes-focused government will be neither quick nor easy, and generating a new institutional mindset requires both political leadership and ground-level support. This paper has outlined steps governments can take toward one element of smarter government: reform of government decision making and funding policies to generate outcomes-focused and solutions-based change in social services.

The structure of public funding deeply informs how government thinks about, creates, and operates social policy. Change demands shifting not just procurement policy, but also an entire interdependent network of policymakers, governments, and stakeholders. While implementing systems change is a monumental task, governments, providers, and public sector leaders are already beginning to take some of the first steps to move government toward an outcomes mindset and new funding framework.

The following section provides a brief overview of some of the actions stakeholders—specifically, local government, state government, federal agencies, congress and legislatures, philanthropy and private sector partners, and providers—are taking today to move smarter government forward. It also provides some general guidance suggesting what might be next for these groups. Reform will almost certainly take longer than one political term to implement, but by working together and clearly articulating shared goals and outcomes, all of us can begin to plant the seeds for an indelible legacy of real impact.

Local Government

Local governments are uniquely situated to become hubs of policy innovation. Even without a national political push for outcomes-focused policy, cities, counties, and municipalities are turning necessity into ingenuity and finding opportunities to use philanthropic grants, data, and existing public support to drive better results. Below are only a few of the many ways innovative local governments have begun to drive change across the United States:

- **Building public-private partnerships.** Current philanthropic initiatives, such as the Pew-MacArthur Results First Initiative and Bloomberg Philanthropies' What Works Cities and Mayors Challenge, are helping cities solve local problems in unique ways through competitive grant programs.⁶² To scale, magnify, and sustain these local initiatives, cities need additional philanthropic and private sector support at the municipal levels to establish data systems, collect evidence, generate analysis, and build human capacity.
- **Making data local.** Local governments from Baltimore to Boston are beginning to rely on data and smart technology, such as citizen engagement apps, to connect with citizens, pinpoint local problems, and find solutions. Philanthropic grants are being used to develop data dashboards for cities across the U.S., putting information at officials'

fingertips on topics as varied as zoning approval times, pet adoptions, restaurant inspections, and asthma attacks.⁶³

- **Starting small.** Local governments looking to implement outcomes-focused policy for the first time should start by identifying policy areas with strong local partners, clear goals, and consensus on desired outcomes. In such policy areas as job placement programs, high school graduation rates, and asthma reduction, local governments can run initial trials to help build capacity within government and among providers. Once capacity is developed in a specific area, local policymakers can develop multiyear plans to roll out similar outcomes-focused policies to more and more areas of government.

State Government

Innovative state governments are critical if America is to move from a local to a national culture of results. States can be the key drivers of innovation in policy areas such as education, where 87.7 percent of every dollar spent comes from non-federal sources.⁶⁴ State-level innovation requires government to prioritize three steps:

- **Developing data infrastructure.** A critical first step toward smarter government is establishing statewide data systems that support evidence building and sharing across governments and departments. Some efforts have already started in specific intervention areas. For instance, the Early Childhood Data Collaborative has already met success working with 13 states to support the development of coordinated and high-quality data systems on early childhood and education.⁶⁵ State governments can support outcomes-focused policy by nourishing and supplementing statewide data and knowledge-sharing capacity and by incentivizing localities to similarly invest in data and evidence infrastructures.
- **Leveraging existing funding.** State governments can follow federal-level efforts to fund demonstration pilots and begin to build mechanisms to seed, evaluate, and vet these pilot initiatives. In fact, state government is a more effective vehicle to fund innovative programs at the local level, where there is the greatest potential to iterate on and learn from outcomes-focused policy. There are already federal programs, such as Pay for Performance provisions in the Workforce Innovation and Opportunity Act (WIOA), with outcomes-focused incentives that grant state and local governments substantial authority to implement Pay For Success (PFS) projects.
- **Incentivizing innovation.** Prizes and competitions are great incentives that can create momentum for local initiatives. State governments should run place-based competitions that provide funding to localities willing to implement outcomes-focused policies. Similar to the grants referenced above for city governments, competitive funding can give states and local government the initial money they need to build out infrastructure and develop incentives to make an outcomes-focused public sector market a reality.

Federal Agencies

In addition to the recommendations presented throughout this paper, federal agencies should look for new opportunities to expand and develop an outcomes-focused culture in government and continue ongoing efforts in this direction. A number of federal agencies have already worked toward outcomes-focused initiatives by funding demonstration pilots and isolated intervention trials. However, there is much more to be done to make federal government policy more innovative and solutions-oriented. Some of the federal agencies that might be able to move further in this direction and expand on current efforts include the U.S. Departments of Housing and Urban Development, Health and Human Services (including the Children's Bureau), and Education. There are two additional areas where federal agencies could take further actions:

- **Increasing investment in outcomes and pilots.** Federal agencies need to institutionalize and reward a culture of results through targeted investments such as bundled state funds (where possible) that tie certain amounts of funding to requirements that providers and state governments increase transparent sharing and reporting of results. Even a small percentage of funding focused on outcomes can have a transformative impact and change the culture of the public sector.
- **Improving digital platforms.** Federal agencies can do more to facilitate digital sharing and communication both across agencies and with the public. For instance, a new U.S. Digital Service team, housed in U.S. Office of Management and Budget, will work to set universal standards for agencies' public digital offerings and interactions with businesses and individuals. By setting digital standards and implementing a process for assessment and improvement on these standards, the U.S. Digital Service seeks to help government scale the best digital platforms and enforce a high standard of accountability for online services, such as HealthCare.gov.⁶⁶

Congress and Legislatures

The U.S. Congress and state and local legislative bodies can take leadership in pushing for an outcomes-focused mindset. The U.S. Congress can encourage the development of outcomes-focused policies by continuing to advance certain types of bipartisan action and support:

- **Supporting ongoing legislative efforts.** There is already pending legislation in the U.S. Congress, such as the Evidence-Based Policymaking Commission Act, sponsored by Representative Paul Ryan (R-WI 1) and Senator Patty Murray (D-WA), and the Social Impact Partnership Act, sponsored by Senators Orrin Hatch (R-UT) and Michael Bennet (D-CO) and Representatives Todd Young (R-IN 9) and John Delaney (D-MD 6). Continued support for similar legislative efforts on both the national and state level is needed to push policy changes forward.

- **Granting agencies and departments administrative flexibility.** A sustainable approach to outcomes-focused policy also requires state legislatures and the U.S. Congress to offer increased administrative flexibility for respective government departments. Legislative language and regulations need to be kept as simple and direct as possible to keep the focus on results rather than process.⁶⁷ These initiatives will only get better over time if legislatures provide opportunities for agencies to continuously improve and leverage data effectively.
- **Funding more pilot initiatives.** Elected officials should push forward more initiatives with the ability to find solutions at all levels. One example is the Performance Partnership Pilots (P3) program, a provision within the Consolidated Appropriations Act of 2014 that seeks to improve outcomes for disconnected youth.⁶⁸ These Congressionally backed initiatives in federal funding, and additional measures at the state level, will help create a real marketplace of ideas and innovation that can find better, faster, and more effective solutions to our social problems.

Philanthropy and Private Sector Partners

Funders have an important role to play in leading the shift to outcomes-focused policy. Now more than ever, the private and public sectors can work together to drive forward initiatives that deliver social impact with returns on investment through societal and financial savings. The transition to outcomes-focused initiatives carries a number of costs associated with systems change, which range from creating new administrative infrastructures to shifts in human capital. Philanthropy, corporate foundations, and the private sector are crucial supporters and partners who can drive a transformation toward smarter government in three key ways:

- **Continuing to support PFS projects.** Private capital is important for supporting broader outcomes-focused systems change, as there will always be a need for forward-thinking projects that carry too much risk for public sector investment, especially in an era of tightened government budgets. The private sector is already playing a role in this way by financing PFS projects. PFS uses public-private partnerships to help minimize government's financial risk in testing new outcomes-focused approaches. PFS is still in its very early stages, and continued support of these pilots is needed to test the impact and potential of this financing model. Private and philanthropic support for current projects is also increasing transparency in some government programs through PFS agreements that require clear reporting with stated risk and outcome measurements.
- **Expanding and iterating on existing financing models.** Philanthropic organizations have already taken the lead by investing in new, outcomes-focused investment models. The Kresge Foundation, for example, has invested \$3 million in a working-capital loan to the Colorado Coalition for the Homeless (CCH) to expand health and housing services to vulnerable populations in Denver, Colorado. The interest on the loan, which could

potentially drop to as little as 1 percent, is linked to CCH's ability to achieve outcomes on 10 metrics, setting a new precedent for how the private and nonprofit sector can pay for performance outside of the PFS financing model.⁶⁹ RE:focus Partners is similarly innovating on private sector financing mechanisms for social good. RE:focus—with Goldman Sachs, Swiss RE, and the Rockefeller Foundation—is exploring how to use modified catastrophe bonds and insurance to help cities pay for resiliency measures against natural disasters.⁷⁰ These are only two examples of potential cross-sector financing models that could help drive smarter and more outcomes-focused government.

- **Funding for capacity.** Support from philanthropy and the private sector is essential to help governments and providers develop the capacity to collect and manage data. The public sector must invest in ecosystem-wide data systems and the organizational infrastructures to manage them. In the short-term, philanthropy and the private sector can support investments that help governments and providers harness data and connect with tech innovators. For instance, many municipalities across the United States are working with social entrepreneurs to develop smartphone apps that let citizens file nonemergency requests to fix public spaces (for instance, potholes, broken streetlights, and downed trees). Apps such as SeeClickFix not only speed up municipal repair time for citizens, but also use citizens as tools to collect data and monitor city, county, and even statewide trends.⁷¹ Investment from outside of government can drive progress and speed the implementation and development of these promising social ventures.
- **Investing in longitudinal data.** To support the long-term and forward-thinking mindset needed for smarter government, the public sector as a whole must understand more about longitudinal data and the long-term effects of policy. This type of data requires a substantial investment of time and capital. Private and philanthropic investment is essential to push for the collection and analysis of longitudinal data that can help government better understand causality, outcomes, and societal savings. Government needs long-range data to see the connections between interventions now and outcomes 10, or even 20 years, down the road. Successful longitudinal data management requires coordination between various parties, substantial investments of time and money, and standardized data systems to help pull data in and push data out of the policy system.

Providers

In the same way that government needs to shift its mindset toward results, providers and nonprofits need to generate an organizational culture focused on outcomes. The new generation of innovative, adaptive providers should be able to collect, analyze, and manage data to find and implement solutions. As public sector leaders begin to create new types of social sector organizations, funders and service providers will need to work together. This necessitates a new way of thinking about operations and service provision, including two important moves toward an increased reliance on data and measurement:

- **Investing in outcomes data collection.** Nonprofit service providers may need to seek outside resources to increase their investment in data infrastructures and capacities for outcomes-focused evaluations. Existing grants from such organizations as the Charitable Sector Support program at the Bill & Melinda Gates Foundation can help nonprofits begin to transition in this direction.⁷² Nonprofits can also take advantage of a growing number of inexpensive or free resources to collect and report data, including public data repositories on impact evaluations.⁷³
- **Building data and evaluation partnerships.** Partnerships with third parties, particularly academia, interested in analyzing and evaluating area-specific outcomes can contribute to the provider market as a whole. A number of charitable foundations have worked to fund initiatives that contribute to the larger knowledge base on social outcomes and connect data points to the providers who can make a difference. The Laura and John Arnold Foundation, for example, has supported initiatives that connect justice organizations with better data analysis to improve policy outcomes, including the Maryland Data Analysis Center and the Chicago Crime Lab.⁷⁴

Conclusion

The public sector has an opportunity to create the government of the future: a government that is innovative, adaptive, and focused on solving our nation's greatest challenges. In current public spending debates, leaders too frequently lose sight of this broader vision for government and our nation. When end goals are forgotten, the dialogue turns political over productive and conversations become less about achieving results and more about checking the right boxes. With a clear vision on outcomes, policymakers and political leaders can answer the call to make smarter investments for the social good by looking for solutions, not line items. It is time for the public sector to unleash the transformative potential of new data and technology to make smarter funding decisions.

Each and every day, decisions about how government pays for social services affect real communities and determine the real opportunities afforded to or withheld from citizens. In these instances, the most vulnerable always stand to lose the most. Smarter government aims for better public spending and better policy that humanizes budget decisions.

The face of better public spending is a child who exits state foster care for good because government began paying providers for placing children in stable homes and not just for funneling children in and out of the system.⁷⁵ The face of better public spending is an unemployed American who finds stable work because government funded a program for placing the unemployed in jobs rather than merely supporting individuals while they look for work.⁷⁶ When policymakers and public sector leaders agree on the most effective method of providing public services, governments make smarter investments that are good not only for the direct beneficiaries, but also for all citizens.

Together we can embrace our most difficult challenges and forge a vision for the future. It will not be easy, but government must be an agent of change toward an outcomes-focused mindset. Both sides of the political aisle can—and must—move to action. Liberals who champion poverty alleviation, social justice, and equality are championing only platitudes if they continue to perpetuate a system that keeps public wealth in the hands of the private few. Conservatives who champion fiscal responsibility are championing only waste if they continue to support a system that promises accountability but delivers empty policies with little positive effect on the lives of citizens.

To improve social outcomes and increase opportunity for all its citizens, government needs to do more of what works, and less of what does not. We know that effective and outcomes-focused policies can increase access to opportunity, make government more accountable, and empower citizens in the process. With this knowledge, it is fiscally and morally irresponsible to idle. America can introduce a new normal in government: an era of smarter governance driven by innovation and an outcomes-focused mindset. The call to build a better government is not an issue of the left or the right; it is our shared mission as Americans to build a nation that strives for more, prospers in the face of adversity, and delivers on the promise of smarter government for social impact.

Glossary of Key Terms

Active Learning: A model of education that relies on active assessment and engagement between parties to encourage critical problem solving. In this paper, it refers to the continual evaluation and collaboration between governments, policymakers, and service providers to assess progress toward targeted policy outcomes.

Agency: A permanent or semi-permanent division of government responsible for oversight and/or implementation of specific government functions.

Buy-in: Active support of and willingness to participate in or contribute to an idea or proposal, such as a new policy, structure, or culture.

Data: The available sources of information, facts, accounts, analysis, and inferences used to derive knowledge and build evidence. Data can be (or can be a mixture of):

- **Qualitative:** Research that does not rely solely or at all on numerical values to support conclusions. Qualitative data includes, but is not limited to, anthropological studies, observations, participant interviews and surveys, historical and descriptive accounts, and the linking of causal chains through narrative descriptors.
- **Quantitative:** Research that relies on assigned numerical values and mathematically based methods to support conclusions. Quantitative data includes, but is not limited to, statistics, regressions, longitudinal studies, randomized controlled trials, and large-N analysis.
- *Both qualitative and quantitative data are susceptible to research bias.*

Data Infrastructure: The digital and physical components comprising a network for the sharing, reporting, and consumption of quantitative and qualitative information needed for operational functions.

Data System: The process by which any government entity or organization collects and manages information; used to support evidence and information sharing across governments and/or departments.

Discretionary Spending: Discretionary spending, mandatory spending, and net interest comprise the three main categories of federal spending. Discretionary spending is the portion of the federal budget that is decided and controlled by Congress through annual appropriations acts.⁷⁷

Evaluation: The process of and results from an impartial assessment of a given organization, program, or policy based on stated objectives. Evaluations in outcomes-focused agreements differ from traditional grant evaluations in assessing the achievement of outcomes rather than measuring whether a requisite number of inputs and outputs were performed.

- **Impact Evaluation:** A type of evaluation that seeks to measure the actual effect of a given policy or program in relation to stated goals and objectives. Impact evaluations assess both intended and unintended changes that can be causally attributed to the policy or program, usually through comparable data and/or control groups to measure difference in outcomes.

Evidence: (In regards to evaluations and assessments) Proof, as best as it can be determined through social scientific studies, that a given intervention (a variable x) produced an intended outcome (a desired effect on y). Evidence refers to positive results from evaluations that prove the level of impact of a program; in other words, a very specific type of knowledge related to established efficacy.

Frontline Workers: Representatives of agencies/organizations that interact directly with customers or beneficiaries of a particular service; may also serve as a communication intermediary between those receiving and providing services.

Funding Pipeline: As used in this paper, the process and institutional channels through which proposals, pilots, and new policy projects receive government funding and become eligible and authorized for funding.

Human Infrastructure: The competencies of individuals within a given system or organization, including the skills, knowledge, and experiences of participating individuals in regard to the contribution these competencies make to the structure and operation of the system or organization.

Innovation: The process of deliberately applying knowledge, imagination, and inventiveness to introduce novelties that disrupt, alter, replace, and/or improve current established thought and practice to create greater value.

Inputs: Resources, such as people, objects, or activities, put into a system to obtain a desired output. In traditional grant funding, inputs are the measurable resources, including time, staff, and money, needed to achieve stated program outputs.

Intervention: In this paper, policies and programs implemented by government and organizations to drive changes and/or provide services to individuals, populations, and groups to achieve better social outcomes for both beneficiaries and affected populations. Interventions are defined more broadly than programs, which may be considered one type or a part of a given intervention approach, and more narrowly than policies, which reflect strategy and intent.

Knowledge: In the context of this paper, knowledge is the interpretation of data, evidence, experience, evaluations, and existing information to reach informed conclusions about the effectiveness and potential/realized implications of policies or programs; what is held to be true about an action at a particular moment or circumstance based on the best information and interpretation available.

Longitudinal Data: The result of a process that collects observations through consistent and routine measurement of the same variable(s) at multiple and regular points in time. Longitudinal data sets measure changes over a given period and can help assess the impact of a policy or program by uniformly measuring observations from before and after implementation. While longitudinal data is defined simply by measurement over any given period of time, in public policy, longitudinal data sets generally measure change in variable(s) across years.

Mandatory Spending: Discretionary spending, mandatory spending, and net interest comprise the three main categories of federal spending. Mandatory spending is the portion of the federal budget that is fixed through existing legal statutes outside of appropriations acts, including such entitlement programs as Social Security and Medicare.⁷⁸

Metrics (also Success Indicators): Measurable and defined values (or sets of values and variables) that can be used to determine or suggest the level of impact and success of a policy, program, or activity in reaching a stated objective or outcome.

Outcomes: The end results and products causally related to specific actions, processes, or systems. In outcomes-focused agreements, outcomes are the results a program or policy is held to achieving and constitute a measurement of whether the initiative had a causally significant and intended impact according to the best evidence and evaluative tools available.

Outcomes-Focused Agreement: A contract or grant between a funder and a service provider where payment (including extra incentives to reward increasing levels of success) and financial rewards are contingent upon the achievement of agreed-upon and measurable outcomes.

Outputs: The measurable products and results obtained from a set of inputs or implementation of a specific activity. In traditional grant funding, outputs are the end products of a program or policy resulting from a defined set of inputs. Outputs can lead to outcomes, but are not synonymous with outcomes. Outputs are intermediary objectives that support the delivery of outcomes. (e.g., *the outputs of a conference may include the number and description of participants and any resulting activities and products, such as papers or education materials.*)

Pay for Success (or Social Impact Bond): A financing mechanism for public-private partnerships where government payment is tied to the delivery of specific outcome(s). In these partnerships, government sets a specific, objective, and measurable outcome and promises to pay an external organization—sometimes called an intermediary—if, and only if, the organization accomplishes the desired outcome. Such agreements frequently rely on third-party evaluators to determine whether the outcome has been achieved. Often, external organizations turn to investors, who bear the up-front cost—and therefore the risk—of achieving the targeted, successful outcome by contributing the working capital needed to implement the social services that aim to achieve the outcome. If the agreement succeeds, the government releases an agreed-upon sum of money to the external organization, which then repays its investors with a return for taking on the up-front risk. If the agreement fails, government is not obligated to release payment, and investors do not get repaid with public funds.

Policy: An action, strategy, or principle used (or proposed) to guide government decision making and program implementation, or a specific plan or course adopted (or pending adoption) by government with concrete practices and guidance for implementation.

Procurement: In the context of this paper, the process and procedures related to a government's acquisition of goods, services, and/or works from an external source for the purposes of implementing public policy and social service programs.

Program: The activities, projects, and administrative and infrastructural components required to implement a particular objective, specifically in this paper in regard to operating social services.

Pilot Program: A small-scale, short-term project, policy, or activity funded on a trial basis to assess impact and feasibility of a new idea or approach.

Provider Infrastructure: The collection of human and physical capital, administrative and budgetary procedures, protocols, staffing structures, and other institutions used to effectively operate and oversee a given organization that government contracts with to implement aspects of social policies. Infrastructure can be both formal, such as budget authorization procedures, and informal, such as organizational culture.

Risk: Exposure to or the possibility of harm, loss, or otherwise adverse effects and circumstances. In finance and funding, the chance that a given investment will not produce intended returns or the potential for loss of part or all of an original investment.

Scale (v.): The process of increasing the scope, reach, size, and effect of a policy, program, or idea (or parts of these) while maintaining fidelity to initial intent and achieving similar results. In this paper, scaling may also refer to the act of increasing the impact and knowledge of an idea to achieve results at a higher level of government or a broader geographic or population area.

Service Providers: A government-contracted entity that delivers and implements social services or programs on behalf of government agencies. Service providers can also be sub-federal levels of government.

Smarter Government: An approach to governing that is more responsive to citizens' needs through the use of emergent technologies, data and information, and innovation in administrative and policy processes. "Smart" governance is a style of governing that is focused on using real-time information to find the best method of implementing policy without prescribing what that method is, will be, or should be in the future, relying instead on data and new technology to identify best practices for different communities at different times.

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About the Authors

Beeck Center for Social Impact + Innovation at Georgetown University

Founded in 2014, the Beeck Center for Social Impact + Innovation at Georgetown University seeks to transform the social sector through innovative, actionable frameworks that leverage capital, technology, and inclusion to achieve social impact at scale. The Center engages global leaders and influencers in solutions-focused dialogue and pursues action-oriented, dynamic research combined with experiential opportunities to provide tools for social change. We promote collaborative spaces that foster new ideas and prepare the next generation of leaders to create positive change in the world. The Center focuses on three areas of research and learning: government innovation, impact investing, and civic technology.

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Jim Shelton is 2U's Chief Impact Officer, overseeing university partner program implementation, research, and university relations. Jim holds a bachelor's degree in computer science from Morehouse College as well as master's degrees in both business administration and education from Stanford GSB and GSE.

Prior to 2U, Jim served as the Deputy Secretary and COO of the U.S. Department of Education and led a range of management, policy, and program functions in support of educational access and excellence for America's children, especially those least advantaged. While in government, he also launched and led the President's My Brother's Keeper initiative; and served on and led multiple interagency efforts focused on increasing economic opportunity and entrepreneurship and building the enabling technology and R&D infrastructures to accelerate progress.

Earlier in his career, Jim opened the east coast offices of NewSchools Venture Fund and became the program director for education at the Bill & Melinda Gates Foundation, where he managed a \$2-3 billion portfolio of non-profit investments.

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A New York native, Laurel graduated cum laude from Williams College and received a master's degree in public policy from the Harvard Kennedy School. She has served on numerous boards and currently serves on the board of the National Housing Trust, the Hopkins School Head's Advisory Council, the Advisory Council of the International WELL Building Institute, and the National Resource Network governing board. She lives with her husband and daughters in Washington, DC.

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Previously, Linda Gibbs served as New York City Deputy Mayor of Health and Human Services from 2005-2013. Supervising the city's human service, public health, and social justice agencies, she spearheaded major initiatives on poverty alleviation, juvenile justice reform, and obesity reduction. "Age Friendly NYC," a blueprint for enhancing livability for older New Yorkers; and "Young Men's Initiative," addressing race-based disparities facing Black and Latino young men in the areas of health, education, employment training, and the justice system, are two of the collaborative efforts she shaped to address significant social challenges. Gibbs also improved the use of data and technology in human service management, contract effectiveness, and evidence-based program development. During her tenure, New York City

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Prior to her appointment as Deputy Mayor, Gibbs was Commissioner of the New York City Department of Homeless Services and held senior positions with the Administration for Children's Services and the Office of Management and Budget.

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Before joining Urban, Milner was a Senior Associate at the Annie E. Casey Foundation, where he worked to increase evidence-based programs in child-serving public systems. He has also worked as a Presidential Management Fellow in the Office of the Assistant Secretary for Planning and Evaluation at the U.S. Department of Health and Human Services. Milner spent three years teaching in Los Angeles with Teach For America.

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