

PAY FOR SUCCESS

“Pay for Success contracts will provide the State of Delaware with another tool to create jobs and improve the quality of services provided to Delawareans.” — [Governor John Carney](#)

WHAT IS A PAY FOR SUCCESS CONTRACT?

A Pay for Success contract is an agreement between a State agency, a program intermediary, and an investor. Under the agreement, the investor will provide upfront capital to fund a service, program, or economic development initiative. The State agency agrees to repay the investor with interest if the service, program, or economic development initiative meets the performance measures and outcomes agreed on in the contract.

HOW DOES IT WORK?

- Delaware state agencies would be able to enter into a Pay for Success contract if/when the Secretary determines that such a contract would **result in measurable benefits**, such as **quantifiable fiscal savings to the State, increased economic activity, better client outcomes, and/or the creation of high wage jobs**.
- The development of these **contracts must be done in collaboration** with the Secretary, a program intermediary, investor, and any other impacted state agencies.
- The **terms of the contract** are subject to the authorization of the Director of the Office of Management and Budget.
- Each Pay for Success contract must include:
 - A **full description of the objectives, performance measures, and an explanation of the benefit** to the State
 - A requirement that a **substantial portion of the State’s payment be conditional on the achievement** of the defined performance measures and outcomes
 - An **objective evaluation process** to determine whether the performance measures and outcomes have been met
 - A requirement that the program intermediary or investor has **secured all necessary funding** prior to the beginning of the program or service
 - A **transparent calculation of the payments owed by the State** based on the successful completion of the agreed upon performance measures and outcomes
 - A requirement that the Secretary **hold the necessary funding for outcome payments in a reserve account** specific to each Pay for Success contract
 - **Regular reporting requirements on the status and progress** the service or program is making towards the agreed upon outcomes

