

FAQs for Pay for Success Pilot Projects Solicitation for Grant Awards

AWARD INFORMATION

Funding Opportunity Description

How much money will be awarded?

We have up to \$20 million available under this competition, and expect to fund approximately one to three grants.

What is Pay for Success?

The Pay for Success (PFS) model is a new way of financing social services to help governments target limited dollars to achieve a positive, measurable outcome. Under the Pay for Success model, a government agency commits funds to pay for a specific outcome that is achieved within a given timeframe. The financial capital to cover the operating costs of achieving the outcome is provided by independent investors. In return for accepting the risks of funding the project, the investors may expect a return on their investment if the project is successful. Payment of the committed funds by the government agency is contingent on the validated achievement of results. In this way, the PFS model shifts the burden of investment risk from the government to private investors, effectively creating a social investment market where the government only pays for results.

What is the goal of this solicitation?

The Department's objectives in establishing this pilot are to:

- Test a model for government investment in preventative and innovative service delivery models that transfers risk to the private sector.
- Learn whether the Pay for Success concept is feasible in the workforce development policy arena.
- Determine whether preventative social services complementing workforce development programming "pays off."

In the long-term, those interventions that produce proven, positive results and cost efficiencies through the Pay for Success model may be scaled-up and replicated by Federal agencies and state/local/tribal partners. Furthermore, successful projects will demonstrate the feasibility of the Pay for Success financing model, providing the evidence necessary for state, local, and tribal governments to pursue the Pay for Success approach on their own in the future.

What types of projects would be appropriate for this solicitation?

Pay for Success is designed to leverage private sector investment to address systemic social problems. As such, PFS models are best suited to fund preventative interventions or complementary services that address the needs of a target group for which the existing provision of services has been insufficient or inefficient in achieving desired outcomes. For this reason, selecting a well-defined problem and associated target population is essential to applying the Pay for Success financing model.

Additionally, the proposed intervention strategy must have one or more well-defined, achievable outcome targets that are an improvement on the current condition of the target population. We are particularly interested in targeted prevention approaches and innovative service models that focus on difficult workforce system problems, such as the significant barriers to employment faced by at-risk, disadvantaged, and hard-to-reach populations.

Furthermore, applicants should select a social problem, target population, and intervention for which they can calculate costs and develop a financial model describing projected public sector savings. This financial model needs to demonstrate that the long-term public sector savings generated by the intervention are sufficient to cover the cost of the intervention plus a return on investment.

What is the expected date of award notification and receipt of funds?

We expect award notification to be made in Spring 2013. All award notifications will be posted on the ETA Web site, (<http://www.doleta.gov>). Non-selected applicants will be notified by mail or email. Grant awards must be made by September 30, 2013.

What is the range of grant awards?

Individual grant amounts may range up to \$12 million. Any grant application with a proposed total value (including all forms and categories of cost) greater than \$12 million will be deemed non-responsive and will not be considered. There is no minimum grant request amount.

Period of Performance

What is the period of performance for these grants?

The period of performance for grant awards will be up to 48 months from the date of grant award. This period includes up to 36 months for all necessary start-up and implementation activities and delivery of the intervention. Six months are available for measurement, documentation, and validation of outcome results; and submission of payment request to the Federal government. The final six months of the grant period of performance are available for the Department to approve and disburse payment.

Will there be an opportunity to request no-cost extensions beyond the approved period of performance?

Because Pay for Success is only intended to pay for interventions that achieve pre-stated outcome target(s), extensions to the period of performance will not be allowed, and as a result, you should design your payment points to be measured and validated on a fixed timeline. All proposed project costs, grantee and vendor, must be necessary and reasonable and in accordance with Federal guidelines. To support grantees' success and workforce system knowledge about Pay for Success, ETA will provide technical assistance and closely monitor grantee progress towards stated goals.

Multiple Applications

Can I apply for more than one grant?

No. Applicants that submit more than one application will be deemed non-responsive and none of their applications will be considered for funding.

ELIGIBILITY CRITERIA

Eligible Institutions

What is an eligible institution?

In order to be eligible for consideration under this solicitation, the applicant must be an eligible institution. Eligible institutions are: (i) State Workforce Agencies eligible for assistance under Title I of the Workforce Investment Act (WIA) of 1998; (ii) Local government agencies responsible for workforce programs under Title I of WIA; or (iii) Federally recognized Indian tribal governments.

Will applications from other organizations be considered?

No. If your organization is not an eligible institution, as described in the above answer, we will consider your application non-responsive and it will not be reviewed.

Partners

Who else must partner with the applicant?

The Pay for Success model includes partners filling the following roles.

- **The state, local, or tribal government agency** is the grant applicant and is the entity testing the Pay for Success financing model. The agency identifies and enters into a contractual agreement with the intermediary through which payment is made for the achievement of specific target outcomes.
- **The intermediary** coordinates the PFS strategy. It is the organization that 1) enters into a contract with the state, local or tribal government, 2) is responsible for achieving the negotiated outcome(s) for the target population by contracting

with service delivery providers, 3) raises funds from investors to cover the operating costs of achieving the outcomes; 4) has the flexibility to change or modify its service delivery methods and providers; 5) collects and shares data with the state/local/tribal government applicant as necessary to fulfill the grant agreement.

- **The investor(s)** are entities that seek to invest in promising social service interventions. They may be not-for-profit or for-profit entities interested in social investment. They accept the inherent risk of total non-payment (writing off the operating funds as a loss) if the target outcome(s) are not achieved, but are willing to invest based on their confidence in the proposed intervention, and guarantee from the grantee that they will be paid for outcomes (i.e. earn their principal investment back plus a return on investment) should the target outcome(s) be met.
- **The independent outcome validator** is responsible for verifying and validating whether outcome target(s) are met, and provides the documentation to trigger release of Pay for Success payments by the Department to the grantee.

We will award grants only to applicants who have a fully-formed partnership, as demonstrated by a signed partnership agreement, which includes the entities acting in the roles above.

Applicants, in partnership with the intermediary, must have secured a commitment from independent investor(s) to cover the total operating costs of administering the intervention.

Over the life of the project, at least two other types of entities will be involved:

- Service providers may be contracted by the intermediary to provide services to administer the programs and interventions designed by the intermediary.
- The Department of Labor acts as the funding agency that releases the final payment upon successful achievement of the outcome target(s).

Can one organization play more than one role?

For this pilot solicitation, it is acceptable for one organization to play the role of both investor and intermediary, or both intermediary and service provider. We will not fund proposals in which one organization is playing the role of investor, intermediary, and service provider, or proposals in which one organization is playing the role of investor and service provider. The independent validator cannot play any additional roles in the partnership.

APPLICATION AND SUBMISSION INFORMATION

Applications

The SGA indicates that applicants need a DUNS number. Must the applicant's partners also have a DUNS number?

No. Only the applicant needs a DUNS number. To obtain a DUNS number, access this Web site: <http://www.dunandbradstreet.com> or call 1-866-705-5711.

How can I get questions answered during the application process?

For further information about this SGA, please contact Linda Forman, Grants Management Specialist, Office of Grants Management, at (202) 693-3416. Applicants should e-mail all technical questions to Forman.Linda@dol.gov and must specifically reference SGA/DFA PY 11-13, and along with question(s), include a contact name, fax and phone number. This announcement is being made available on the ETA Web site at <http://www.doleta.gov/grants> and at <http://www.grants.gov>.

Must proposals submitted on-line through Grants.gov be sent from the eligible applicant?

Yes.

Should I model the format of my technical proposal after the five criteria against which the proposal will be scored?

Although we do not have a formal format or layout for technical proposals, applicants should be aware that their applications will be evaluated on the basis of the evaluation criteria found in Section V.A of the SGA found at http://www.doleta.gov/grants/find_grants.cfm (1) Pay for Success Partnership; (2) Description of the Problem and Target Population; (3) Outcomes, Outcome Targets, and Intervention Design; (4) Independent Validation of Outcome Targets; and (5) Financing Model and Payout Structure. While proposals are scored against the evaluation criteria, these criteria are closely linked to the critical elements found in Section I of the Solicitation and ETA encourages applicants to closely review the critical elements of the Solicitation and incorporate information about how their proposals responds to these elements into their applications.

Content and Form of Application Submission

Is there any page limit to the grant application?

Yes. For all applications, the technical proposal is limited to 25 double-spaced single-sided 8.5 x 11 inch pages with 12 point text font and 1 inch margins for all grantees. Any materials beyond the specified page limit will not be read.

What other documents must be submitted with the technical proposal?

To be considered for funding, your application must include the following required attachments, in addition to the technical proposal:

- (a) You must provide an Abstract, not to exceed three pages, which will serve as a summary of the proposal. The abstract will be shared publicly, and must include the following information: 1) applicant's name and type (i.e., whether the applicant is a State workforce agency, local government agency, or Federally recognized tribal government); 2) applicant city/state; 3) geographic areas served by the intervention; 4) project name; 5) funding level requested; 6) names of entities serving as the intermediary, investor, and validator; 7) description of the problem and target population's characteristics; 8) description of the outcome target(s) that will trigger government payment and the intervention that will produce the outcomes; 9) expected cost savings and/or efficiency gains; and 10) public contact information for the grant, which may be an email or website.
- (b) An SF-424, "Application for Federal Assistance" (available at <http://apply07.grants.gov/apply/FormLinks?family=15>).
- (c) A letter of commitment from the investor(s) to provide working capital adequate to sustain the life of the project.
- (d) A partnership agreement signed by representatives of the state/local/tribal government applicant, intermediary, investor(s) and independent validator confirming that all partners are in agreement with the roles and responsibilities within the framework of the Pay for Success model and all components of the applicant's grant proposal.

Applications that do not include the required attachments will be considered non-responsive and will not be reviewed.

Do the attachments count against my page limit?

No. Required attachments listed in Section IV. B. Part III of the SGA do not count against the page limit for the technical proposal.

Can I submit additional materials such as résumés or general letters of support or commitment?

No. DOL will not accept general letters of support submitted by organizations or individuals that are not partners in the proposed project and that do not directly identify the specific commitment or roles of the project partners. Support letters of this nature will not be considered in the review process. Applicants are strongly encouraged to submit only the documents that are required in the SGA.

How should I craft my timeline? For example, should I estimate that projects will start in July 2013?

Because we do not know the exact date these grants will be awarded and executed, applicants are not expected to use specific calendar/date references (i.e., July,

August 11, September 2013, etc.) in the timeline of grant activities. Instead, applicants are advised to refer to general time periods (i.e., first 3 months, x number of weeks, first year, second year, etc.).

Paneling and Review

What is the process for reviewing applications?

Following the closing date, the Department will begin a two-phase evaluation process. During the first phase, a technical review panel will evaluate all eligible applications against the selection criteria. These criteria are based on the policy goals, priorities, and emphases set forth in this SGA. Up to 100 points may be awarded to an application, depending on the quality of the responses to the required information described in Section V.A.

Once the eligible applications have been scored, the second phase of evaluation will begin. The ranked scores will serve as the primary basis for the Grant Officer's tentative selection of applications for funding, in conjunction with other factors such as geographic balance; alignment with the goals of the workforce investment system; the availability of funds; and which proposals are most advantageous to the government. The panel results are advisory in nature and not binding on the Grant Officer. In making his/her tentative selection(s) for funding, the Grant Officer may consider any information that comes to his/her attention.

The Grant Officer will then make contact with the tentatively selected applicants, providing any questions regarding the application that need clarification, and arrange a teleconference with the applicant and the required partners. The purpose of the teleconference is to discuss the applicant's proposed model, and allow the applicant and required partners to ask any follow up questions related to DOL's clarifying questions. The tentatively selected applicants will then have 30 days to respond in writing to the questions from DOL. Applicants will also be expected to reconfirm investor commitments during this time.

Note that this process does not relieve applicants from initially submitting a fully formed partnership and application. If after the review of the applicant's response, DOL determines that the application is not fundable in its current state, the Grant Officer may decline to fund the applicant and tentatively select another applicant on the same basis for selection specified above.

Will ETA review proposal drafts before the deadline?

No.

Will applications be reviewed upon receipt?

No. Technical review panels will convene after the closing date of the SGA.

MISCELLANEOUS

Notice of Intent

Am I required to submit a Notice of Intent to Apply in order to submit a grant application?

No. However, we will be able to develop a more efficient process for reviewing grant applications if we understand the number of applicants that intend to apply for funding under this competition. Therefore, potential applicants are strongly encouraged to submit a notice of intent. Applicants that do not provide this notification may still apply for funding.

What should be included in the Notice of Intent to Apply?

Prospective applicants can notify ETA of their intent to submit an application for funding by sending a short e-mail message. This short e-mail should provide (1) the applicant organization's name and address, (2) a general overview of the Pay for Success project proposal, including the proposed workforce issue, target population to be addressed, and anticipated outcome(s) the project intends to achieve, (3) any preliminary information on the organizations you hope to partner with. It is requested that this e-mail be sent to Forman.Linda@dol.gov with "Intent to Apply" in the e-mail subject line by 8/31/12. This information will not be publically disclosed.

Is my grant application required to align with the information submitted in my Notice of Intent to Apply?

No. Final submitted applications are not required to align with the information in this Notice of Intent to Apply. Additionally, the information and preliminary project proposal will not have any bearing on the final evaluation of a submitted application.

Preparation of a grant application

Where can I go for assistance in preparing my application?

For general information on grant applications, ETA encourages new prospective applicants to view the online tutorial, "Grant Applications 101: A Plain English Guide to ETA Competitive Grants," available through Workforce3One at: http://www.workforce3one.org/page/grants_toolkit. Please consult that guide for advice on how to organize your application.

Where can I find more information about the Pay for Success model?

For questions specifically regarding the Pay for Success model, ETA encourages prospective applicants to view the online resources available at http://www.doleta.gov/workforce_innovation. The resources include links to the White House Fact Sheet on Pay for Success (<http://www.whitehouse.gov/omb/factsheet/paying-for-success>) and the Nonprofit

Finance Fund's Pay for Success Learning Hub Web-site (<http://payforsuccess.org/>), which contains suggested readings, tools, and other resources on PFS.

Prospective applicants may also view the information gathered through the Pay for Success Pilot Project: National Listening Session Webinar held with Federal agency partners, state, local, and tribal government entities, local practitioners, and other industry stakeholders. The webinar can be found on Workforce3One.org at: <https://www.workforce3one.org/view/5001203950384005936/info>.

Evaluation

Am I required to participate in an evaluation with DOL?

We will require that the program or project partnership cooperate with a formal evaluation of the Pay for Success model. We will engage an independent evaluator (not the independent validator associated with the partnership) to assess the implementation, outcomes, and benefits of projects funded under this solicitation.

FISCAL AND ADMINISTRATIVE

Are there any cost sharing, matching or leveraged resource requirements?

Cost sharing or matching funds are not required as a condition for application. The financial contribution from investors is not considered cost sharing or matching funds. However, applicants, in partnership with the intermediary, must have secured a commitment from independent investor(s) to cover the costs of administering the intervention.

What are the restrictions governing administrative costs?

Under this SGA, an entity that receives a grant to carry out a project or program may not use more than 10 percent of the amount of the grant to pay administrative costs associated with the program or project. Administrative costs could be direct or indirect costs, and are defined at 20 CFR 667.220. Administrative costs do not need to be identified separately from program costs on the SF-424A Budget Information Form. However, they must be tracked through the grantee's accounting system. To claim any administrative costs that are also indirect costs, the applicant must obtain an Indirect Cost Rate Agreement from its Federal Cognizant agency. These administrative cost restrictions are applicable to the activities of the direct grantee only.

Are there any additional funding restrictions?

Determinations of allowable costs for the grantee (government entity) will be made in accordance with the applicable Federal cost principles. Disallowed costs are those charges to a grant that the grantor agency or its representative determines not to be allowed in accordance with the applicable Federal cost principles or other conditions contained in the grant. Note that the applicant's relationship with the intermediary

and validator must be through contracts and should follow the applicable Federal contract guidelines. All proposed project costs, grantee and vendor, must be necessary and reasonable and in accordance with Federal guidelines. As contractors, the intermediary and validator will not follow federal cost principles for grants or Uniform Administrative Requirements for grants; rather they will have to be in accordance with state law.