

March 30, 2011

The Honorable Karen Clark
277 State Office Building
100 Rev Dr Martin Luther King Jr Blvd
Saint Paul, Minnesota 55155-1206

Dear Representative Clark:

Thanks for your March 25 letter regarding Human Capital Performance Bonds. The Citizens League does support the legislation to pilot this approach. We are not sure how implementation has been characterized in legislative hearings, so we will outline our understanding and what it is that we support based on our Pathways to Prosperity Project and our participation in the development of the idea.

The Human Capital Performance Bond is not designed to replace existing funding with a “pay for performance” model. The bond is designed to attract new investment to activities that can demonstrate a return on investment (ROI) in the development of human capacity. This is not meant to be a zero-sum game with state revenues. It is meant to attract investors and bring new resources into the equation. This is a key reason why the Citizens League believes we must pilot this effort now and see what potential it has.

The pilot will have to be limited and only certain types of activities that are appropriately targeted will even be attempted. This would not be imposed on nonprofits. A nonprofit would choose to engage in some risk in order to get a possibly larger reward and ability to do more. The three areas that have been discussed are workforce development, troubled teens and homeless services, but it is possible that workforce development might be the only realistic place to start. Working with people who have some very clear barriers to the job market (such as recent incarceration) is a possible beginning.

Even if successful, this model will not be appropriate for all the works that nonprofits are doing. Broad-based approaches to provide services will not be targeted enough to demonstrate ROI, although we do hope that this approach, if successful, might spur effective collaborations that can demonstrate ROI for investors.

Sincerely,

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Sean Kershaw
Executive Director

Bob DeBoer
Director of Policy Development