COMMITTEE REPORT

May 2, 2019

**S. 318**

Introduced by Senators Alexander and Davis

S. Printed 5/2/19--H.

Read the first time February 28, 2019.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (S. 318) to amend Title 11 of the 1976 Code, relating to public finance, by adding Chapter 60, to enact the “South Carolina Pay for Success Performance Accountability Act”, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

GILDA COBB-HUNTER for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Amended by the Senate on February 26, 2019**

**State Expenditure**

This bill establishes a trust fund for pay-for-success contracts. Pay-for-success contracts are agreements in which the state contracts with a private-sector organization to achieve specifically defined measureable outcomes for a given population over a certain period of time and in which the state pays only to the extent that the desired outcomes are achieved, as determined by an independent assessor. Annually, on or before February first, every state entity that has entered into a pay-for-success contract shall provide a status report to the General Assembly. The Board of Economic Advisors shall account for the trust fund revenue separately from general fund revenue.

A trust fund is to be established in the State Treasury for the purposes of funding pay-for-success contracts. The State Treasurer is the trustee and administrator of the trust fund, which must be maintained separately from the general fund and all other funds of the state. Further, the State Treasurer is authorized to receive funds from other governmental entities when those funds are subject to a valid pay-for-success contract. The Treasurer shall make payment from the trust fund in accordance with the terms and conditions of pay-for-success contracts.

The State Treasurer indicates that the bill does not fiscally or materially alter the responsibilities of the office. As such, this bill will have no impact on the general fund, other funds, or federal funds.

**Introduced on January 8, 2019**

**State Expenditure**

This bill establishes a trust fund for pay-for-success contracts. Pay-for-success contracts are agreements in which the state contracts with a private-sector organization to achieve specifically defined measureable outcomes for a given population over a certain period of time and in which the state pays only to the extent that the desired outcomes are achieved, as determined by an independent assessor.

The trust fund is to be established in the State Treasury and will be used to improve outcomes and lower costs for government services. The State Treasurer is the trustee and administrator of the trust fund, which must be maintained separately from the general fund and all other funds of the state. Further, the State Treasurer is authorized to receive funds from other governmental entities when those funds are subject to a valid pay-for-success contract. The Treasurer shall make payment from the trust fund in accordance with the terms and conditions of pay-for-success contracts.

The State Treasurer will establish the account, make payments from the trust fund, and provide an annual status report regarding the funding received and the disbursements from the trust fund. The State Treasurer indicates that the bill does not fiscally or materially alter the responsibilities of the office. As such, this bill will have no impact on the general fund, other funds, or federal funds.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND TITLE 11 OF THE 1976 CODE, RELATING TO PUBLIC FINANCE, BY ADDING CHAPTER 60, TO ENACT THE “SOUTH CAROLINA PAY FOR SUCCESS PERFORMANCE ACCOUNTABILITY ACT”, TO ESTABLISH THE TRUST FUND FOR PERFORMANCE ACCOUNTABILITY TO FUND PAY-FOR-SUCCESS CONTRACTS, WHEREBY THE STATE CONTRACTS WITH A PRIVATE‑SECTOR ORGANIZATION TO ACHIEVE SPECIFICALLY DEFINED MEASUREABLE OUTCOMES IN WHICH THE STATE PAYS ONLY TO THE EXTENT THAT THE DESIRED OUTCOMES ARE ACHIEVED.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. This act is known and may be cited as the “South Carolina Pay for Success Performance Accountability Act”.

SECTION 2. Title 11 of the 1976 Code is amended by adding:

“CHAPTER 60

South Carolina Pay for Success Performance Accountability Act

Section 11‑60‑10. For the purposes of this chapter, ‘pay-for-success contract’ means an agreement in which the State contracts with a private-sector organization to achieve specifically defined measureable outcomes for a given population over a certain period of time and in which the State pays only to the extent that the desired outcomes are achieved, as determined by an independent assessor.

Section 11‑60‑20. There is established in the State Treasury the trust fund for performance accountability for the purpose of funding pay-for-success contracts to improve outcomes and lower costs for government services. The State Treasurer is the trustee and administrator of the trust fund, which must be maintained separately from the general fund of the State and all other funds

Section 11‑60‑30. (A) Annually, on or before February first, every state department, board, commission, committee, agency, or authority that has entered into a pay-for-success contract shall provide a status report for its outstanding pay-for-success contracts, provided that each contract’s procurement is compliant with the procurement code governing procurements made by the state department, board, commission, committee, agency, or authority.

(B) Status reports pursuant to subsection (A) must be provided to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House of Representatives Ways and Means Committee.

(C) In status reports to the Governor and the General Assembly pursuant to subsection (A), the Board of Economic Advisors shall account for the trust fund revenue separately from general fund revenues.

(D) The State Treasurer is authorized to receive funds from other governmental entities if those funds are subject to a valid pay-for-success contract. The State Treasurer shall make payments from the trust fund in accordance with the terms and conditions of the pay-for-success contracts.”

SECTION 3. This act takes effect upon approval by the Governor.

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