

Pay for Success in Washington



Washington state is situated to **adopt Pay for Success contracts** for environmental restoration projects.

State statute, community interest, and clear environmental priorities help set Washington up for **rapid adoption**.

What is Pay for Success?

Pay for Success contracting (PFS), also known as pay for performance or outcomes-based contracting, is a procurement strategy that defines desired outcomes and invites the private sector to deliver those in advance of payment to ensure outcomes are achieved. Instead of traditional invoicing and payment that happens on a regular basis (monthly, quarterly, etc.), a significant amount of the total payment for Pay for Success contracts is paid only when the project has been completed and verified outcomes have been measured or modeled, often by a 3rd party evaluator. This helps create positive economic pressure, allows the private sector to take on the risk of achieving project outcomes, and ensures that funding goes as far as possible. Payments are based on delivery and verification of outcomes, rather than on time and materials.

This contract method is being adopted across the country. The Environmental Policy Innovation Center has helped local, regional, and state entities design their programs.

Why Washington?

- Decision-makers and the recovery community are interested
- Clear environmental priorities
- Current grant-making is difficult for all parties
- Helpful & ambiguous state statute

This is important

Paying for outcomes results in cheaper per-unit costs, less paperwork, and fewer capacity issues within state and local agencies. It's a win-win solution that is gaining traction across the country.

Immediate Barriers to Overcome:

Time it Right: Find an NGO or fund that can hold onto \$ for 5-10 years.

Scale to Win: Select pilot projects that are large enough to capitalize on the economies of scale that come with Pay for Success

Legality: Confirm legality with OFM & State AG's Office