

Social Impact Bonds – Maryland HB 517

Good morning Mr. Chairman and members of the committee. My name is Mark Fisher. I am a member of the Maryland House of Delegates, serve on the House Ways & Means Committee and reside in Prince Frederick, Maryland. I am pleased to provide testimony today concerning Social Impact Bonds.

In the 2013 regular session of the Maryland General Assembly, Delegate Sandy Rosenberg of Baltimore City introduced HB 517. Delegate Rosenberg is a professor at the University of Maryland School of Law, and served on the House Ways & Means Committee. His bill, heard in Ways & Means, introduced the idea of Social Impact Bonds. As stated in the bill's synopsis, HB 517 would enable the State of Maryland to issue an RFP for Social Impact Bonds. The goal of the legislation was to improve Pre K to 12 public education in Maryland.

Many non-Marylanders might ask a simple question: Why would a Delegate introduce legislation for SIB's when his state has a top-rated public education system? The answer to this question is not so transparent. You see, amongst all of the celebrating of Maryland's public education achievements, what may be true of the state, is not the case in Baltimore City. Baltimore City has some of the worst outcomes in public education in the United States. Yet, the city has the second highest per pupil spending in the United States, second only to New York, according to the Bureau of the Census. Baltimore spends almost \$15,500.00 per pupil – or about double the cost of an education at private and parochial schools.

It's understandable as to why the SIB alternative to the status quo was offered.

In their analysis of HB 517, the Maryland Department of Legislative Services analyzed numerous factors. They researched a program for prisoner recidivism in Great Britain and they worked with the Maryland Department of Public Safety and Correctional Services.

In January of 2013, the Department of Legislative Services advised against SIB's for the following reasons:

1. SIB's cause an increase in budgetary pressure compared to direct program financing due to the necessity of funding contingent liabilities and the added expense of features unique to SIB's;
2. SIB's do not produce cost savings when outcomes are achieved, even under highly optimistic assumptions;
3. SIB's could effectively exclude new providers and program types that do not have a well-established record of success with investors seeking to minimize risk; and
4. SIB's potentially distort evidence used in policy decisions

As a member of the Maryland House Ways & Means Committee for four years, I've had an opportunity to listen to many proposals seeking to improve outcomes in public education. While I understand that SIB's could leverage public dollars, my concern is that alternative models already exist.

In the case of public education, why not take a pragmatic approach. In those jurisdictions where outcomes are acceptable, public dollars keep flowing. But, in those jurisdictions where outcomes repeatedly are substandard, such as in Baltimore City, why not provide Tuition Vouchers and a School Choice Program? Since Maryland spends twice the amount on public education in Baltimore per pupil than private education – why not try a Voucher System? The cost savings from less spending per pupil would more than offset the expenditures of tracking student progress – something the state already does.

In conclusion, SIB's are well-intended, but they unnecessarily bloat bureaucracies. Moreover, they have the potential of leading to Crony Capitalism, and as the Maryland Department of Legislative Services concluded, they do not save money.

Thank you Mr. Chairman for the opportunity to provide testimony. I'd be happy to answer any questions.