PAY FOR SUCCESS FINANCING: DIFFUSION DYNAMICS IN THE U.S.

by

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DEDICATION

To my husband, Jason, my daughters, Sylvia and Millie, and The Doctor.

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ABSTRACT

Across the United States (U.S.), communities struggle with numerous social and environmental issues while the funding to provide programmatic services to address these issues continues to diminish. As such, actors both inside and outside of government are seeking new policy solutions that both effectively and efficiently address these issues. Significant hurdles to embarking on a new policy approach exist, however, including a lack of up-front funding and a reluctance to take on the risk inherent in implementing new programs. A recent innovation in the policy domain, Pay for Success (PFS) financing, has been specifically designed to overcome these hurdles. Policy innovation does not come easily, however, and change within government is often slow and methodical. Motivated by the question, "What catalyzes a jurisdiction to innovate?," this dissertation seeks to more fully understand the case of diffusion of PFS in the U.S. Agenda setting, diffusion of innovation, and policy entrepreneurship theories were used as an *a priori* framework to guide research design, implementation and analysis. An embedded, mixed-methods, case study approach utilized a unique dataset, elite interviews and participant observation to examine the case. This research provides insight into the tactics utilized to influence diffusion of policy innovation, economic and social factors impacting diffusion, and the associated power dynamics and relationship structure of actors engaged in diffusion efforts.

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LIST OF ABBREVIATIONS

CNCS	Corporation for National and Community Service
DoEd	United States Department of Education
DoL	United States Department of Labor
HMP	Her Majesty's Prison
HUD	United States Department of Housing and Urban Development
MSA	Multiple Stream Approach
PE	Policy Entrepreneur
PFS	Pay for Success
SIB	Social Impact Bond
SIF	Social Innovation Fund
SIPPRA	Social Impact Partnerships to Pay for Results Act

CHAPTER ONE: INTRODUCTION

"If the misery of the poor be caused not by the laws of nature,

but by our institutions, great is our sin."

- Charles Darwin (1839)

Across the United States (U.S.), communities struggle with numerous social and environmental issues, while the funding to provide programmatic services to address these issues continues to diminish (Reich, Shapiro, & Cho, 2017). These issues have been well documented by academics and practitioners alike. For instance, Nussle and Orszag (2015) report that since the 1970s kindergarten through 12th grade reading and math achievement rates have remained stagnant across the county. Allaire, Wu, and Lall's (2018) examination of the U.S. water supply demonstrates millions face health threats due to exposure to unsafe drinking water. In a 2018 report, the U.S. Department of Justice estimated three year recidivism rates in the U.S. prison system to be as high as 68% (Alper & Markman, 2018, p. 1). However, additional funding alone will not solve the educational achievement gap, ameliorate deteriorating infrastructure, or resolve issues in the criminal justice system. We also need to focus on programs that work at the level of prevention. Studies show that at all levels of government in the U.S. there has been under-investment in outcome-based, prevention-related programming, even though preventative programs have been proven to be more effective and save money over the long run (Sager, 2015; Seftor, 2016). The Office of Management and Budget (2012)

posits this under-investment has contributed to underperformance of numerous government-funded programs.

As budget constraints and social and environmental problems continue to put pressure on communities across the U.S., actors both inside and outside of government are seeking new policy solutions that both effectively and efficiently address these issues. Many scholars suggest these new policies and approaches are what is needed to make impactful improvement (Baliga, 2013; Cartwright & Stegenga, 2012; Liebman, 2018; Nussle & Orszag, 2015; Osborne, 1993; Seftor, 2016). However, significant hurdles to embarking on a new policy approach exist, including a lack of up-front funding and a reluctance to take on the risk inherent in implementing new programs. A recent innovation in the policy domain, Pay for Success (PFS) financing, has been utilized by jurisdictions across the U.S. to overcome these hurdles. PFS is a financing model that enables outcome-oriented public spending through the financing of social or environmental interventions with private sector and/or philanthropic capital. The interventions, often delivered by nonprofit service providers, are evaluated for their outcomes and only if the outcomes are met do investors get paid back their capital. At their core, PFS projects seek to use evidence-based approaches to address societal issues such as homelessness, recidivism, and school readiness.

In 2012, jurisdictions in seven states began examining the feasibility of PFS. Around this time the federal government also took notice of PFS. Between 2012 and 2016 the Obama Administration authorized over $300 million in funding for state and local jurisdictions interested in exploring the use of PFS in their communities. The funding was made available through competitive grant processes managed by a number

of federal agencies including the Corporation for National and Community Service ("Serve America Act," 2009/2012), the U.S. Department of Justice (Second Chance Act, 2008/2012), the U.S. Department of Labor ("WIOA," 2014), and the U.S. Department of Housing and Urban Development ("FAST Act," 2015). This Obama era funding ceased in 2017. However, under the Trump Administration, the U.S. Department of the Treasury is managing $100 million in funding appropriated under the 2018 Social Impact Partnerships to Pay for Results Act (SIPPRA). SIPPRA, part of the Bipartisan Budget Bill of 2018, seeks to support multi-sector partnerships that will leverage government funding to scale up evidence-based programs that seek to improve the lives of families and individuals by addressing some of the most pressing problems in the U.S. ("SIPPRA," 2018). Distribution of SIPPRA funding will begin no later than November 2019.

As of February 2019, PFS has diffused to 34 states and Washington, D.C. Previous scholarship examining this policy innovation has focused on the economics of PFS (e.g., Goldberg, 2017; Hasan, 2013). There have also been a number of case studies of specific PFS projects (e.g., Berlin, 2016; Cunningham, Pergamit, Gillespie, Hanson, & Kooragayala, 2016). However, this scholarship is limited in number and scope, and despite its diffusion across the U.S., I found no research examining the diffusion of PFS. As many scholars have noted, change within government is slow and methodical (F. S. Berry & Berry, 1990; Boushey, 2012; Mintrom & Vergari, 1998; Shipan & Volden, 2008; Walker, 1969). This led me to wonder: in a case such as PFS, *What catalyzes a jurisdiction to innovate?* Motivated by this question, my examination of the diffusion of PFS allows for deeper understanding of this specific policy innovation, and also helps us

understand how policy innovations may diffuse across the U.S, including consideration of both the process of diffusion and the role of actors involved in this diffusion. Thus, the objective of my dissertation is twofold:

1. Provide a deep examination of the diffusion of the policy innovation PFS across the U.S.
2. Explore the role(s) of the actors who have facilitated PFS diffusion.

In order to meet these objectives, I look to the literature on agenda setting, diffusion of innovation, and policy entrepreneurship to inform the research design, implementation, and analysis. To examine the case of PFS diffusion in the U.S. an embedded, mixed methods, case study approach utilized data collected through elite interviews, participant observation, and a quantitative data set I created.

This dissertation is organized into six chapters, including this introduction. Chapter 2 provides an in-depth background on PFS in the U.S. The chapter first traces the origins of PFS to the United Kingdom and follows the policy innovation's initial diffusion to the U.S. Then a description of the structure of PFS outlines the actors engaged in PFS projects and provides an overview of the mechanics of an implemented policy. This discussion provides an opportunity to understand the complexity of the instrument. Next, I provide a short review of PFS projects in the U.S. Finally, I end the chapter with an articulation of my research questions.

In Chapter 3 a review the literature sets up the conceptual and theoretical framing for the research and discusses the significance of my research. First, literature on the agenda setting phase of the policy making process provides an indication of how an idea gets the attention of policy makers. Agenda setting's relationship to the theory of

diffusion of policy innovations further explains factors associated with the catalysts that prompt a jurisdiction to innovate. To help understand the roles of the actors involved in the diffusion of PFS literature on the role of policy entrepreneurs is examined. Finally, Chapter 3 articulates the contributions my research makes to the academy as well as its broader implications to policy and practice.

Chapter 4 details the research methodology I utilized to collect and analyze the data used in this study. The chapter begins by describing what influenced the research design and then provides an explanation of the research design itself. Next, a presentation of the research model includes a description of the quantitative and qualitative approaches utilized to answer the research questions. The chapter ends with a discussion of the validity and reliability of the research.

Chapter 5 provides the results of my research and discusses the findings. First, I examine the process of PFS diffusion across the U.S., discuss the determinants catalyzing PFS diffusion, and outline the elements of successful diffusion. Then I examine the actors engaged in PFS diffusion and discuss the tactics utilized by actors to influence diffusion. Finally, I discuss unexpected findings that emerged during my research.

In Chapter 6, I summarize the overall project and discuss my findings as they relate to the theoretical framework of prior scholarship. I assert my research provides contributions to the academy and that its broader impacts include informing PFS policy in practice. I then discuss the limitations of this study. In closing, I provide an outlook as to the future of PFS in the U.S. and suggest areas for continued research.

CHAPTER TWO: BACKGROUND AND CASE

The purpose of this chapter is to provide an overview of Pay for Success (PFS) in the U.S. I first discuss the origins of PFS and its initial diffusion to the U.S. I then discuss the applicability of PFS in the U.S. and describe the structure of PFS including the mechanics of an implemented policy. Next, I provide a short review of PFS projects in the U.S. Finally, I end the chapter by providing an articulation of my research questions.

Diffusion of Pay for Success to the U.S.

On April 21, 2009 President Barack Obama signed into law the Edward M. Kennedy Serve America Act, which created the Social Innovation Fund (SIF), housed in the Corporation for National and Community Service (CNCS), a Federal agency ("Serve America Act," 2009/2012). The SIF provided capital for state and local governments to explore policy innovations and outcome-oriented approaches to some of the country's most pressing social issues, essentially providing funding that could be used to catalyze policy change. First Lady Michelle Obama succinctly articulated the basic notion of SIF by stating,

> The idea is simple: find the most effective programs out there and then provide the capital needed to replicate their success in communities around the country. By focusing on high-impact, results-oriented non-profits, we will ensure that government dollars are spent in a way that is effective, accountable and worthy of the public trust (Goldstein, 2009).

Just prior to signing the bill, President Obama created the White House Office of Social Innovation. This office was tasked with enabling the social sector to be more outcome-driven in order to advance opportunity, equality, and justice. This Office and

CNCS worked closely together to both deploy the SIF and ensure it supported the changes intended by President Obama. One policy innovation catalyzed by these efforts was PFS.

PFS is a financing model that enables outcome-oriented public spending through the financing of social or environmental interventions with private sector and/or philanthropic capital. In its simplest form, PFS permits a jurisdiction to borrow capital from investors and direct it to towards interventions that address the fundamental causes, or upstream factors, of an issue. The jurisdiction pays returns on the investment based on the achievement of specific, predetermined outcomes of the intervention.

The concept of PFS (initially referred to as a Social Impact Bond or SIB) was developed in the United Kingdom and launched in 2010. This initial project was modeled after a social nonprofit organization's (Ashoka) effort to create a 'Contingent Revenue Bond' focused on providing funding for water sanitation projects in developing countries (Nicholls & Tomkinson, 2015). The idea was to institute an intervention that would divert use of expensive, acute, and reactive health services catalyzed by consuming contaminated drinking water. The avoided health care costs could then be used to fund additional clean water projects. However, upfront funding was needed to pay for the initial intervention. Ashoka proposed for-profit investors provide the capital and be paid back upon *successful* delivery of safe water.

In the UK, the 2010 SIB aimed to reform the criminal justice system and thereby reduce spending on repeat offenders in Her Majesty's Prison (HMP) Peterborough (Disley, Rubin, Scraggs, Burrowes, & Culley, 2011). A partnership between the UK Ministry of Justice and the not for profit organization Social Finance raised five million

pounds from philanthropic and private sector investors. The funds were given to nonprofits who carried out evidence-based programs shown to reduce repeat criminal offenses, also known as recidivism. This program sought to reduce recidivism rates by 7.5% over seven years. If the program reached that benchmark, investors would receive at least a 2.5% return on their initial investment.

One year after launch of the HMP Peterborough SIB, New York City's mayor, Michael Bloomberg, identified a number of severe social issues facing the city. Due to budget constraints, the city was forced to prioritize some issues over others. Of particular importance to Mayor Bloomberg was recidivism in the juvenile justice system. Nearly half of all incarcerated adolescents at the city run detention center on Rikers Island were recidivating within one year of being discharged (Rudd, Nicoletti, Misner, & Bonsu, 2013, p. ix). Without breaking this cycle, these youth, mostly coming from low- and middle-income families, could spend a significant portion of their lives in the criminal justice system. The Mayor shared the desire to address this issue with his staff. Soon afterwards, New York City Deputy Mayor Linda Gibbs learned about the Peterborough SIB (Greenblatt & Donovan, 2013). Since the SIB's inception recidivism rates at HMP Peterborough had been reduced. The staffer shared the SIB concept with Mayor Bloomberg and, thus, the PFS concept was introduced to the U.S. with New York City launching the first project in 2012.

Applicability of Pay for Success in the U.S.

New York City is not alone in the dilemma that accompanies persistent social issues. One and a half decades into the 21st Century, jurisdictions across the U.S. continue to suffer from numerous social challenges (Nussle & Orszag, 2015). Yet funding to

address those challenges is becoming more limited (Shapiro, DaSilva, Reich, & Kogan, 2016). Under the Trump Administration projections indicate an even steeper decline, as demonstrated in Figure 2.1 (from Reich et al., 2017).

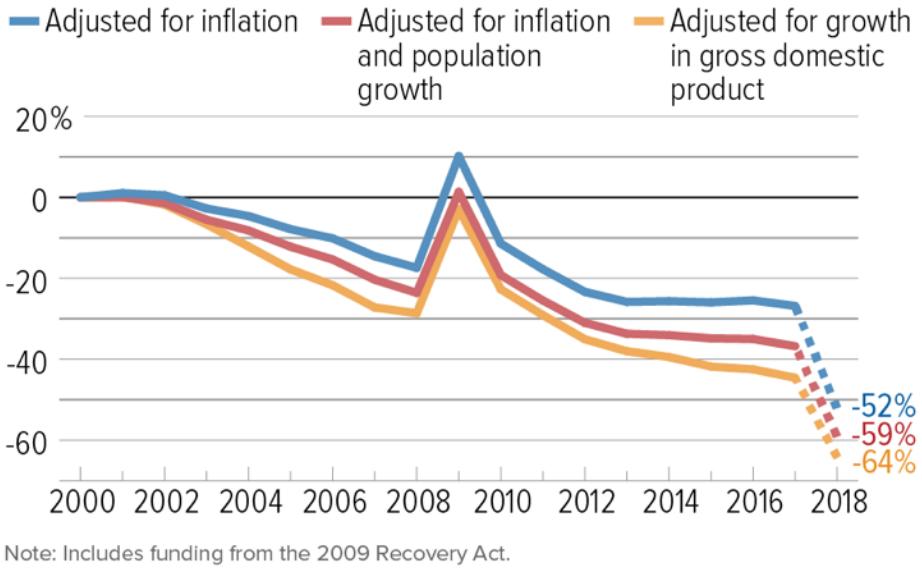

Figure 2.1 Overall Funding for Housing, Health, and Human Services Block Grants with Estimated Decrease

PFS addresses the funding gap by allowing jurisdictions that adopt the policy innovation to borrow private and/or philanthropic capital to fund interventions that address the persistent issues facing a community. Such a response is attractive as the rise of neoliberalism in the U.S. supports moving away from government spending and devolution of government from social service provision (Harvey, 2007).

In addition, studies show that at all levels of government in the U.S. there has been under-investment in outcome-based, prevention-related programming (Andrews & Erickson, 2012; Liebman, 2018). Scholars have noted this issue in a number of areas including education (e.g., Seftor, 2016), criminal justice reform (e.g., Fox & Albertson, 2011), and housing and homelessness (e.g., Cox, 2011). This underinvestment is despite the fact preventative programs have been proven to be more effective and save money

over the long run, as reported by the Government Accountability Office (Sager, 2015). Evaluation of programs effectiveness has also been an issue. For example, effectiveness of social service spending in the U.S. has historically been evaluated by measuring a set number of outputs (e.g., number of nights in an emergency homeless shelter), rather than focusing on the metrics associated with the desired results or long-term outcomes of a program (e.g., ending homelessness) (Gustafsson-Wright, Garndiner, & Putcha, 2015; Sager, 2015). When outcomes are not thoroughly operationalized and assessed it becomes challenging to identify where public money is being spent on programs that are ineffective and not meeting a policy's intended objective (e.g., ending homelessness). PFS seeks to address these issues by defining outcomes and evaluating performance, and, thus, measuring the success (or failure, as it may be) of an intervention (Berlin, 2016; Galloway, 2014; Gustafsson-Wright et al., 2015). In summary, PFS offers an attractive policy alternative to jurisdictions faced with tight budget constraints that want to implement programs to address severe social or environmental issues burdening their communities. In the next section I discuss the structure of PFS.

Structure of Pay for Success

PFS is not unlike traditional government contracts and other complex service acquisitions utilized by U.S. government (Azemati et al., 2013). It too has a multifaceted and rather complicated contracting structure. Like pay for performance contracts, where government either rewards or sanctions a contractor based on their fulfillment of specified outcomes (U.S. Government Accountability Office, 2002), PFS measures success based on the performance of a service provider. However, PFS can be differentiated from other such government contracts for its ability to attract private sector

finance to areas where public capital is limited (Azemati et al., 2013; Macomber, 2016; Warner, 2013).

PFS is still relatively new in the U.S., therefore there is yet to be a formulaic process for launching a project. However, jurisdictions considering adoption of PFS generally first conduct an assessment to determine the feasibility of structuring a PFS initiative. This assessment itself is quite an undertaking and generally takes six months to one year to complete. Such assessments typically examine a number of factors including plausible interventions, potential investors, political will, and community capacity to determine if PFS would be an appropriate tool to address the issue identified. PFS practitioners have identified seven key components utilized when examining the feasibility of a jurisdiction to further pursue a PFS project (Crossgrove Fry, 2016)[1]:

Target Population - there must be a targetable, high-need population that is aligned with the community and government's policy priorities.

Stakeholder Engagement - public, private, and nonprofit sector actors must be engaged and interested in PFS financing.

Value Creation - a project must provide value (economic, social and/or political) to the government entities and financiers involved with the project.

Data - data must be available and easily accessible to track and evaluate the selected intervention and its effectiveness.

Evidence-based - the proposed intervention must be evidence-based, conducive

[1] I helped develop the seven criteria through a Policy Innovation Fellowship (2015-2016) granted by the Corporation for National and Community Service and the White House Office of Social. Through my fellowship I participated in working groups that included the Sorenson Impact Center at University of Utah and the Harvard Kennedy School's Government Performance Lab.

to rigorous evaluation, and provide safeguards for the target population.

Scalability - there must be the ability to scale and replicate the chosen intervention with program fidelity.

Capital - sufficient government and commercial/philanthropic capital must be available to finance the project.

If any one of these components cannot be fulfilled, then a PFS project will likely not prove successful and, thus, is unlikely to be pursued (Crossgrove Fry, 2016).

If the assessment supports PFS feasibility, then the community may engage in implementing a PFS project. Most PFS projects are structured, via complex contracts, as multi-stakeholder partnerships that engage the private, public, and nonprofit sectors (Sager, 2015). Rather than being mandated or required, the mechanics of PFS projects, as well as the roles of the actors engaged, have gradually evolved since the inception of PFS in the U.S. A review of PFS projects in the U.S., and the associated scholarly and applied literature, demonstrates a typical PFS initiative is comprised of six main sets of actors: a target population, government, intermediaries, investors, nonprofit service providers, and evaluators (Baliga, 2013; Gustafsson-Wright et al., 2015; Nonprofit Finance Fund, 2019a, 2019b; “Social Innovation Fund,” 2019; Sorenson Impact Center, 2016). A detailed description of these actors can be found in Chapter 5. The common roles of these actors and the mechanics of a typical PFS project can be seen in Figure 2.2.

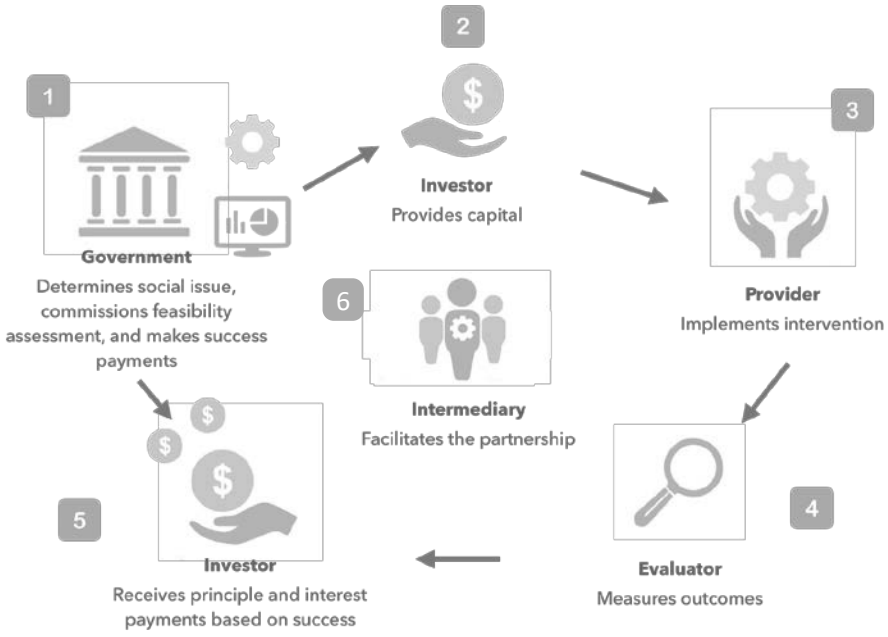

Figure 2.2 Pay for Success Mechanics

1. First government identifies a social issue and commissions a feasibility assessment.
2. Next government procures capital from private sector and/or philanthropic investors.
3. This funding is then used to pay service providers for the selected intervention.
4. An external evaluator closely monitors the service provider's ability to achieve outcomes.
5. If the outcomes are reached then the governmental jurisdiction (or another payor) makes success payments back to the investor(s). If the outcomes are not reached the investor does not receive payment.
6. Most PFS projects in the U.S. have hired an intermediary to coordinate the effort.

PFS Projects in the U.S.

The U.S. government has supported a number of PFS projects through the release of funding opportunities to support feasibility analyses, capacity building, and construction of PFS financing initiatives. A 2015 Government Accountability Office report shows that four Federal agencies have supported PFS initiatives by awarding funding or releasing requests for proposals (see Table 2.1) (Sager, 2015). President Obama's 2017 budget request included up to $345 million in PFS related spending, with authority housed within Housing and Urban Development, the Department of Justice, the Department of Education, and the Corporation for National and Community Service (Office of Management and Budget, 2016).

Table 2.1 Federal Agencies with Funds Appropriated for PFS Projects

Agency	Program Name	Amount
Department of Labor	Workforce Innovation Fund	$24 million
Corporation for National and Community Service	Social Innovation Fund	$12 million
Department of Housing and Urban Development and Department of Justice	PFS Supportive Housing Demonstration	Up to $10 million

In 2017, with the change in the Presidential Administration, the White House Office on Social Innovation was closed. In February of 2018, President Donald Trump's Budget request proposed elimination of CNCS in Fiscal Year 2019 and with it all of SIF's funding. Yet, the Consolidated Appropriations Act of 2018, otherwise known as the Omnibus Spending Bill, increased CNCS funding by $33.6 million to total $1.06 billion for Fiscal Year 2018. The bill also included $100 million for a new PFS program administered by the U.S. Treasury.

When my research commenced in March 2016, 11 jurisdictions (in nine states) had launched PFS projects in the U.S. including: Boston, MA; Chicago, IL; Commonwealth of Massachusetts; Connecticut; Cuyahoga County, OH; Denver, CO; New York City, NY; New York State; Salt Lake County, UT; Santa Clara County, CA; and South Carolina. Most of these initial projects had support from the SIF. Despite Federal budgetary uncertainty under the Trump Administration, PFS continued to proliferate. As of February 14, 2019, 28 PFS initiatives have launched and another 118 more are under formal consideration (see Appendix A).[2] The projects launched thus far seek to enable public investment to address issues related to homelessness, recidivism, school readiness, early childhood and maternal health, mental health, workforce development and water contamination.

Research Objectives

As noted above, PFS is both a multisector initiative and a form of performance-based contracting where government pays only if specified results are achieved. As a policy innovation it has been perceived as a means to enable government to be more effective and efficient with limited resources (Gustafsson-Wright et al., 2015). Despite this, research on PFS, including in the policy sciences, has been limited. The research that has been published has been primarily in the fields of economics, finance, social work and criminal justice. This research has provided case studies as well as literature focused on the economic viability of PFS and the validity of the evidence-based interventions. However, it is important for PFS to also be viewed through a public policy and administration lens, in part because of the significance the tool itself can have in

[2] For the purpose of this research, Pay for Success is considered to be under formal consideration when a jurisdiction or service provider has engaged in a feasibility assessment.

application (Baliga, 2013; Cox, 2011; Evans, 2013; Fitzgerald, 2013; Fox & Albertson, 2011; Gustafsson-Wright et al., 2015; Jackson, 2013; Macomber, 2016; Warner, 2013). In addition, little has been done to understand the spread of this policy innovation across the U.S. and, specifically, who has championed its adoption. Thus, there are both applied and theoretical implications of my research as it contributes to both policy studies and policy in practice.

This dissertation seeks to more fully understand how and why PFS has proliferated across the U.S. As mentioned in Chapter 1, the objective of my dissertation is twofold:

1. Provide a deep examination of the diffusion of the policy innovation PFS across the U.S.
2. Explore the role(s) of the actors who have facilitated PFS diffusion.

In order to achieve this objective, and understand what catalyzes a jurisdiction to innovate, I ask the following questions:

1. What has been the process of Pay for Success (PFS) diffusion in the U.S.?

    1a. How has PFS diffused across the U.S.?

    1b. What has catalyzed PFS diffusion in the U.S.?

    1c. What factors led to successful PFS diffusion?

2. What actors have been engaged in the diffusion of PFS in the U.S.?

    2a. What sectors do the actors involved in the diffusion of PFS represent?

    2b. What is the geographical representation of the actors?

2c. What tactics do PFS actors use to influence diffusion?

Conclusion

In this chapter I've introduced the policy innovation PFS, discussed the origins of PFS, and traced its initial diffusion to the U.S. in 2012. I've presented PFS as a policy alternative in the U.S. to jurisdictions facing budget constraints and issue burden. A description of the structure of PFS outlines the complexity of the policy innovation. A short review of PFS projects in the U.S. shows the policy innovation has diffused across the U.S. with support from the federal government. Finally, I ended the chapter by providing an articulation of my research objectives and associated research questions.

In the following chapter I review the literature and describe the theoretical framing and justification for my research.

CHAPTER THREE: FRAMING THE PROCESS OF DIFFUSION OF INNOVATION

As mentioned in the previous chapter, this dissertation is focused on understanding how and why Pay for Success (PFS) has proliferated across the U.S. and examining the actors engaged in the diffusion. To guide my study, I use three distinct sets of literature: agenda setting, diffusion of innovation, and policy entrepreneurism. First, literature on the agenda setting phase of the policy making process can frame our understanding of how an idea gets the attention of policy makers. Agenda setting's relationship to the theory of diffusion of policy innovations further explains factors associated with the catalysts that prompt a jurisdiction to innovate. To help understand the roles of the actors involved in the diffusion of PFS I look to literature on the role of policy entrepreneurs. Finally, in this chapter I articulate the contributions this research makes to the academy as well as its broader implications.

The Policy Making Process

To understand the diffusion of PFS and begin answering the first research question *What has been the process of PFS diffusion in the U.S.?* I first define the concept of 'policy' and then delve into how policies, such as PFS, come to be via the policy making process. Peters (2018) defines policy as the sum of government activities, whether pursued directly or through agents, that have an influence on the lives of its citizens. Cochran et al. (2015, p. 475) state that policy is the result of "an intentional course of action followed by a government institution or official for resolving an issue of public concern." Policy making, according to Anderson (2015, p. 7) is "a relatively stable

purposive course of action followed by an actor or set of actors in dealing with a problem or matter of concern."

The process of policy making process has been a focus of study in policy sciences since the mid-1900s. During the early period of inquiry into policy sciences, research focused on the policy process itself, but considered the process to really just be the legislative component involved in policymaking (Lasswell, Lerner, & Fisher, 1951). Scholars at this time often indicated that the main actors in policy making were the elected officials themselves. Research pointed to a dichotomous relationship between policy makers and policy implementers with some positing institutional controls should be in place that remove discretion from the bureaucracy; while others argued that administrators should have discretion in the policy making process (Friederich, 1940; Waldo, 1948). However, within a few decades a new set of scholars began to articulate the policy process as more encompassing. For example, Demir and Nyhan (2008) suggest more recently that the politics-administration relationship be conceptualized in a mode that is less dichotomous and more cooperative. These more contemporary scholars recognized the role of multiple actors, and thus expanded inquiry of the policy process beyond the hands of elected officials.

Stages Heuristic

In the 1970s Jones (1970) and Anderson (1975) both provided 'common stages' models of inquiry that identified a number of stages in the policy process. This approach, still used in scholarship today, provided a common framework, or heuristic, for policy scholars to utilize. This framework includes five stages: agenda setting, formulation, adoption/legitimation, implementation, and evaluation.

The first stage of the process, agenda setting, considers why certain problems, among many, receive the serious attention of decision makers (J. E. Anderson, 2010). Research on this stage focuses on getting the decision makers, in most cases elected officials, to consider taking action on a problem (Baumgartner & Jones, 2009; Cairney, 2011; Cobb, Ross, & Ross, 1976; Kingdon, 1984; Nelson, 1984). Once on the agenda, policy formation, or stage two, takes place. This is the stage when government develops a set of pertinent and acceptable proposed courses of action for dealing with a public problem (J. E. Anderson, 2010). Once a course of action, or a policy, is selected, policy adoption can occur. In this third stage support for the specific proposal is legitimized or authorized (Balla, 2001; F. S. Berry & Berry, 1990; Mintrom, 1997a). Once adopted, a policy must be implemented in stage four. Researchers focusing on this phase examine the application of the policy by a government's administrative machinery, the bureaucracy (Hill & Hupe, 2009; Hjern & Hull, 1982; Lester & Goggin, 1998; Pressman & Wildavsky, 1984; P. Sabatier & Mazmanian, 1980). Finally, stage five provides for evaluation of the policy in an effort by the government to determine first whether the policy was effective and second the reasons behind its effectiveness (Carlson, 2011).

The five stages framework helps organize scholarship around the policy process and the many complexities within it. In his edited volume focusing on the policy process, Sabatier (P. A. Sabatier, 2007) notes that the policy making process is in fact highly complex, has hundreds of actors, often takes place over a lengthy timeframe, sometimes occurs over multiple levels of government, and is further complicated with value-laden debates, money and coercion. Because of the complexity of this process scholars have often chosen to study a specific stage most related to their interest area. Because I am

interested in the diffusion of the innovation PFS (i.e., when PFS is first considered by a jurisdiction) I focus my examination in this study on the agenda setting stage.

Agenda Setting

It is in the agenda setting stage of the policy making process that a proposed solution (i.e., policy) must get the notice of decision makers and get placed on the government's agenda for action. This stage recognizes that there are many problems that governments face, but only some of them will receive the attention of government and spur action (Cairney, 2011). Agenda setting research seeks to understand how and why some issues get the attention of policy makers, while others do not. Thus, it is at this stage that can help answer the research question *What has been the process of Pay for Success (PFS) diffusion in the U.S.?*

Agenda setting itself is affected by a number of factors. Cairney (2011, p. 183) summarizes the challenges associated with getting a topic noticed by policy makers via two statements:

1. There is an almost unlimited amount of policy problems that *could* reach the top of the policy agenda. Yet, very few issues do.
2. There is an almost unlimited number of solutions to those policy problems. Yet, few policy solutions will be considered while most others will not.

Whether or not an issue gets on the agenda and can progress through the policy making process is thus circumstantial. Therefore, my examination of this phenomenon must account for the circumstantial factors associated with agenda setting. First, I'll address the experience of a policy maker.

The dominance of rational choice theory invoked by early scholars such as Simon (1947) painted policy makers out to be 'rationally bound decision makers' with limited information and time available to inform their decision making. Issues populate a seemingly never ending and always growing list of problems to be addressed by policy makers. The depth and breadth of the issues facing policy makers creates challenges in getting a specific issue to rise to the attention of policy makers (Knott & Wildavsky, 1980). This generates a certain amount of 'load' (M. D. Jones et al., 2016) felt by policy makers, which impacts their willingness and ability to address an issue. Today scholars tend to still agree – those in a position to make policy decisions are often busy and have competing interests vying for their attention (Jenkins-Smith & Sabatier, 1994). Policy makers also take into account factors that help to determine the political importance of addressing a particular issue and the palatability of solutions. Through a meta-analysis of agenda setting literature, M.D. Jones et al. (2016) established that for a policy solution to ultimately get on the agenda of policy makers it must have three characteristics: it must be technically feasible, have adequate resources, and be acceptable in terms of societal values.

As with the policy process itself, scholars, recognizing the importance and complicated nature of agenda setting, have sought to better understand it through a number of frameworks. Cohen, March, and Olson (1972) introduced the garbage can model of decision processes. The garbage can model rejects the notion of a linear decision-making process; rather, participants in the policy process toss together unrelated problems and solutions. No individual actor commands control over the choice of policy makers, rather the policy process is interactive and dynamic. In an effort to bring more

empirically falsifiable theories into the policy sciences, Jenkins-Smith and Sabatier (1994) examine policy change and agenda setting through the Advocacy Coalition Framework (ACF). ACF allows for causal inferences in regard to agenda setting, and does so across broad policy subsystems, rather than examining a specific jurisdiction. However, ACF posits policy change occurs incrementally and generally requires investigation over a long period of time (on average, 10 years), so it isn't a suitable framework for a relatively new policy innovation, such as PFS.

Kingdon's (1984, 2002) Multiple Streams Approach (MSA) also brings explanatory power to understanding the process of agenda setting theory but contradicts ACF's instrumentalism and posits that there is not a strictly logical process in policy making. Further, this perspective asserts that there are often times when specific issues or policies become attention getting and are pushed forward in a non-incremental fashion. Kingdon (2002) argues there are two factors, participants and process, which determine the issues on a policy maker's agenda. MSA builds a framework around these two factors by providing for, and operationalizing, five specific concepts within the agenda setting process: problems, politics, policies, policy entrepreneurs, and windows of opportunity. MSA's framework also allows for exploration of agenda setting at multiple levels of government, another important consideration when examining PFS. A diagram of MSA (see Figure 3.1) provides guidance on the flow of the MSA and an articulation of MSA's five main concepts: the problem stream, the politics stream, the policy stream, the policy entrepreneur and the window of opportunity.

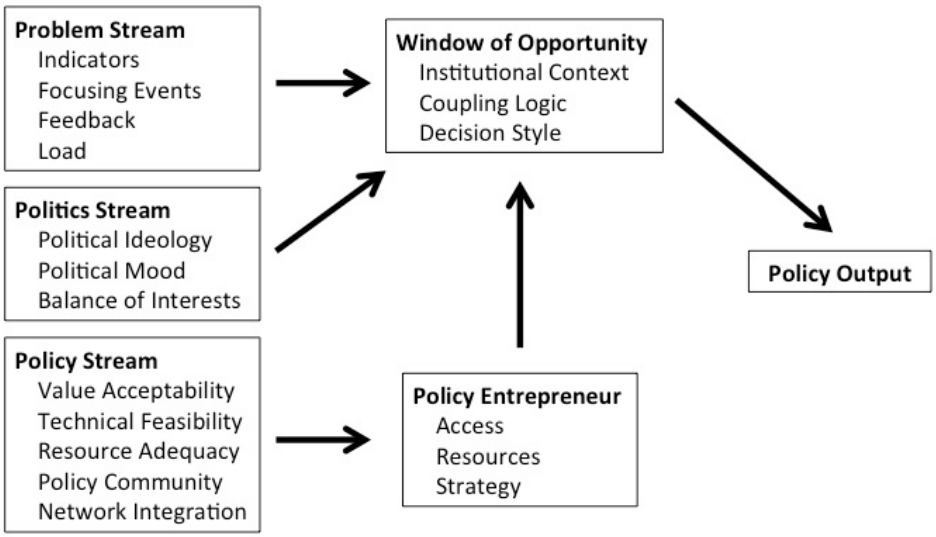

Figure 3.1 Diagram of the Multiple Streams Approach (adapted from Jones et al., 2016)

The problem stream is where issues are identified (B. D. Jones & Baumgartner, 2005). This can happen due to factors within the jurisdiction itself via internal indicators – for instance, a jurisdiction's number of opioid deaths reaches an all-time high. A focusing event can also get the attention of policy makers (Birkland, 1998). Such an event can be internal or external to a jurisdiction – for instance, a school shooting. The political stream is made up of both elected officials inside government and the overarching political mood (Zohlnhöfer, Herweg, & Huß, 2015). Researchers, academics and others are the primary players in the policy stream (M. D. Jones et al., 2016). These actors develop specific policy alternatives to deal with an identified issue. Actors within this stream may try to convince one another of the worthiness of particular ideas or policy solutions.

There are specific circumstances that enable an issue and policy alternative to be coupled and make it onto a policy maker's agenda. This 'window of opportunity' can be opened by a particular problem (e.g., disaster, report or administration change) or even

through something as routine as an annual appropriation (Farley et al., 2007; M. D. Jones et al., 2016). When the window is opened, all three streams have the chance to come together and push the issue to the forefront of a policy maker's agenda (Kingdon, 2002). As such, windows of opportunities can enable action in an otherwise stagnant policy environment. Oftentimes individual actors can be associated with such action.

According to Kingdon (2002, p. 180) it is relatively easy to identify an individual (or set of individuals) central in moving a subject (i.e., policy or solution) up on policy makers' agendas and into a position for enactment. Kingdon has labeled this individual a 'policy entrepreneur' (PE). PEs have been defined as those actors in a community that seek to initiate dynamic policy change and that have the skills and capacity to frame a policy issue, or take advantage of a window of opportunity, in order to get the attention of policy makers, provide for a policy solution that is acceptable and feasible, and/or usher a policy solution through implementation (Baumgartner & Jones, 2009; Kingdon, 2002; Mintrom, 1997a).

A number of authors (e.g., Cairney & Jones, 2015; M. D. Jones et al., 2016), have called attention to Kingdon's intended coupling of the five concepts as being interrelated and necessary to explain the entirety of the policy process and, specifically, agenda setting. Yet, only one-third of the literature that cites Kingdon's MSA operationalizes each of the five components of MSA (M. D. Jones et al., 2016). Zahariadis (2014, 2016) suggests that by focusing on an individual component or subset of the five components greater gaps in the MSA theory can be addressed. In line with Zahariadis, my research pays particular attention to Kingdon's concept of the PE in order to both gain an understanding of the actor(s) responsible for getting PFS on the agenda of subnational

jurisdictions and to strengthen the component of MSA literature. However, my interest in agenda setting also lies in its relationship with the diffusion of policy innovations, like PFS. I posit that innovation and diffusion literature overlaps with MSA's problem stream, politics stream, policy stream and the window of opportunity. Next, I describe the factors associated with the process of diffusion of policy innovation, associate it with the aforementioned components of MSA, and then further examine Kingdon's concept of PEs. This literature helps frame my research to answer the research questions: *How has PFS diffused across the U.S.?*, and *What has catalyzed PFS diffusion in the U.S.?*

Innovation and Diffusion

Defining Innovation

Innovation is the application of a new method, idea or product (Rogers, 2003). Innovation occurs in the public, private and nonprofit sectors. It has been studied in many fields and literatures, including the policy sciences (F. S. Berry & Berry, 2014; B. D. Jones & Baumgartner, 2005; Shipan & Volden, 2012; Walker, 1969), business (e.g., Rogers, 2003; Schumpter, 1911) and sociology (Cochrane, 1979; Jasanoff, 2011; Otero, 2008; R. A. Schurman, 2003). Oftentimes the people behind designing and launching new ideas, products or services are known as entrepreneurs. The following review of diffusion of innovation literature demonstrates that innovation is motivated by a range of factors based on the context of the innovation and the actors engaged in diffusing it.

Studies of innovation began in the field of business and economics in the early 1900s and focused on the theory that economics is the primary driver behind private sector innovation, at both the individual and firm level (Schumpter, 1911). Innovation requires development of new knowledge, which is typically costly and, therefore,

discouraged in a free market economy like the U.S. However, once generated, knowledge is easily shared at little or no cost. Thus, inventors run the risk of putting time and capital into developing a new concept and not being able to receive a return on their investment. However, in an era of neoliberalism, innovation has been posited as necessary for economic growth (Otero, 2008). As such, government takes several steps to incentivize innovation. In one approach, governments make property rights available to the creators of knowledge. In the U.S. it is part of Article I, Section 8 of the Constitution which gives "inventors the exclusive rights to their . . . discoveries" (1787). A number of policies have been implemented in the U.S. to further enable innovation. For instance, U.S. patent law encourages innovation by granting limited property rights to useful, and otherwise intangible, intellectual output or knowledge. Therefore, a new concept is turned into a private good, or intellectual property, which is excludable from the use of others (Weimer & Vining, 2017). By privatizing an otherwise non-excludable good, such as knowledge, the U.S. government is able to encourage, or catalyze, more innovation by making it economically valuable. In other words, these policies allow an inventor or entrepreneur the capability to distribute or 'diffuse' their new product, service or idea in the marketplace and enable return on their investment made in research and development. Next, I examine diffusion of innovation theory as it applies to the policy sphere.

Policy Innovation and Diffusion

As noted by Arnold (2015, p. 309), "policy innovations are codified processes or products with the potential to change policy outcomes substantially." A policy innovation is a solution new to either the entire policy sphere or just to the community adopting it (Park & Berry, 2014; Walker, 1969). This means a policy innovation can be a completely

novel idea, but it can also occur when a policy is introduced for the first time in a new setting. As defined by Rogers (2003, p. 5), diffusion is "the process by which an innovation is communicated by certain channels over time among members of a social system." This spread of information, via the diffusion process, enables jurisdictions to learn about and consider new policies (i.e., policy innovations). Therefore, a policy solution is innovative upon its initial invention as well as when a new jurisdiction considers it, even after it's been adopted in, thus diffused from, another jurisdiction. Policy innovation does not come easily, however. Change within government is often slow and methodical (F. S. Berry & Berry, 1990; Boushey, 2012; Mintrom & Vergari, 1998; Shipan & Volden, 2008; Stream, 1999; Walker, 1969).

In 1962, Rogers identified four factors associated with diffusion of innovation: the innovation itself, time, communication, and the social system. For my study, PFS is the innovation, in the form of a policy. The effects of time are widely acknowledged in the diffusion of innovation literature (Rogers, 2003). Tracking timing of diffusion to individual actors enables scholars to calculate diffusion rate and also determine innovativeness of actors adopting the innovation. Innovators and early adopters are the terms Rogers (2003) uses for actors that adopt innovations in the early stages. Those actors that adopt in the later stages, after the majority of the actors have adopted the innovation, are deemed laggards. When it comes to policy innovation, scholars since Walker (1969) have identified that certain states tend to fall into one category or the other (innovator/early adopter or laggard). These states share common characteristics; innovators/early adopters have large populations and are urbanized and industrialized whereas the laggard states tend to be less populated, are rural and more agriculturally

based (Rogers, 2003; Walker, 1969). Rogers posits the larger states may be more likely to innovate because they face certain issues, like social issues, sooner or with greater intensity than the laggard states and therefore must adopt new policies to address the issues.

In regard to communication and the social system, Rogers (2003) was particularly interested in the *context* of each. In other words, what is the setting of the communication or the environment of the social system? Other scholars provide examples of such context. For instance, geography can be an important factor to consider as oftentimes officials from a jurisdiction will communicate with a peer jurisdiction due to the notion they share "similar resources, social problems, and administrative styles" (Walker, 1971, p. 381). In the time of Walker's studies (e.g., 1969) it seemed the communication structure available tended to favor interaction between neighboring jurisdictions. Other scholars (e.g., Shipan & Volden, 2012) have acknowledged geographic clustering and also suggest that the modern policy makers have a greater capacity to look for solutions more broadly than merely turning to their neighbors.

A more recent set of scholars have identified both internal and external factors, or determinants, influencing diffusion (Baumgartner & Jones, 2009; F. S. Berry & Berry, 1990, 2014; Rogers, 2003; Shipan & Volden, 2012). Kingdon (2002) would deem these determinants are part of the *process* of agenda setting. Internal determinants come from within the jurisdiction itself. For instance, the first driverless car causing death to a pedestrian in Tucson influenced Arizona's governor to ban driverless cars in the state (Ohnsman, 2018). External determinants, on the other hand, are due to exogenous factors or those outside the jurisdiction. For instance, after the devastating 1906 earthquake in

San Francisco, CA, other earthquake prone regions began instituting stricter building codes to protect their communities from similar destruction (Reitherman, 2006). I discuss the internal and external factors that may influence the adoption of a policy innovation in greater detail below and relate them to MSA's framework.

Internal Determinants

Many factors internal to a jurisdiction may enable innovation (F. S. Berry & Berry, 2014). Such internal determinants tend to be political/policy oriented, economic, or social. Political or policy-oriented determinants could be something as simple as enabling legislation that allows a jurisdiction to consider a particular policy innovation. Economic factors, such as retirement of debt, could encourage passing of a new bond to raise revenue to a new issue facing the jurisdiction. For instance, Quiggin (2006) demonstrates how fiscal policies impact how jurisdictions contract or otherwise spend revenue and thus help or hinder policy innovation. Finally, jurisdictions often face social issues, such as a homeless encampment, that catalyze innovation in order to address the issue at hand. Each of these internal determinants can be associated with MSA's problem steam in that they are indicators or focusing events. Further, the severity of a political, economic or social issue facing a jurisdiction has been proposed to be a factor encouraging innovation (Allard, 2004; Mintrom & Vergari, 1998; Stream, 1999). Such factors can also be associated with MSA's problem stream in that they are indicators of the load a particular issue places on a jurisdiction.

In some cases, such as the adoption of state climate change policies, internal determinants (i.e. citizens' demands) have been shown to be stronger factors impacting states' policies than intergovernmental reasons, like the policy adoption of neighboring

states (Matisoff, 2008). Such external factors, or external determinants, are further discussed below.

External Determinants

Factors influencing innovation external to a jurisdiction can include punctuating events, normative pressure, imitation, competition, coercion and policy learning (F. S. Berry & Berry, 2014; Boushey, 2012; Shipan & Volden, 2008). Punctuating events, such as the aforementioned 1906 San Francisco earthquake, are much like MSA's focusing events. Normative pressure, imitation, competition, and coercion are best associated with MSA's political stream. They cause a policy or issue to get the attention of policy makers due to relationships with another jurisdiction.

Normative pressure occurs when jurisdictions feel compelled to conform to standards in place in other jurisdictions (Walker, 1969). As such, a jurisdiction may feel pressure to adopt a policy because the jurisdiction may be perceived poorly if they do not adopt. This happened when smoking began to be banned in restaurants and other public locations (Shipan & Volden, 2008). By not adopting a ban on smoking, politicians could look 'bad' in the face of others, so they were influenced to also adopt smoking bans. Imitation occurs when a jurisdiction aspires to be like another jurisdiction and, therefore, imitates the policies other jurisdictions have put in place (Boushey, 2012). Competition often occurs between neighboring or peer jurisdictions. In these cases, one jurisdiction may adopt of policy, like tax incentives, to benefit their constituencies. Fear of competition may then encourage a nearby or peer jurisdiction to adopt a similar policy (Shipan & Volden, 2008). In the tax policy case, the fear could be loss of market share. Finally, coercion influences diffusion when a jurisdiction adopts a policy due to the

actions of another actor attempting to impose their preferred policy solution on another government (P. A. Sabatier, 2007). For instance, state level planning and zoning guidelines can be utilized to influence affordable housing development across a state, spurring cities to enact new ordinances (Graham, Shipan, & Volden, 2013). Another coercive tactic impacting a jurisdiction's decision to pursue a new policy is the availability of funding (i.e., economic incentive) offered by a higher level of government (F. S. Berry & Berry, 2014, p. 313).

Yet another external factor impacting diffusion may be the influence of people outside a jurisdiction during interactions or through networks (Rogers, 2003). This is more than mere imitation. Rather this 'policy learning' is interactive and happens in both formal and informal settings, in person or through virtual online networks. The National Conference of State Legislatures (NCSL) is a formal forum in which policy makers can learn from one another. NCSL offers both an online platform for communicating with other states and it also brings elected officials together at national conferences to discuss policy innovations. Other conferences focus on bureaucrats within government and others still may bring together people to discuss a specific policy subsystem, like healthcare.

As this section has described, the process of diffusion of policy innovation is impacted by a number of factors. As such, to attain an understanding of the diffusion of PFS I identify internal and external determinants associated with jurisdictions that have engaged with PFS. Yet, diffusion of innovation is impacted by more than these factors alone. The active participants involved in agenda-setting, the PEs, also enable diffusion (Kingdon, 2002). In this next section I examine Kingdon's concept of PEs and their association with diffusion of innovation.

Policy Entrepreneurs

As policy makers within jurisdictions consider solutions to address issues faced by their communities, certain actors influence their decisions. PEs have been recognized as such actors who set the agenda of policy makers (Kingdon, 2002) and "[whose] presence and actions can significantly raise the probability of legislative consideration and approval of policy innovations" (Mintrom, 1997a, p. 738). Scholars have identified the aforementioned internal and external determinants as contributing PE's agenda setting efforts (Mintrom & Vergari, 1996). To accomplish this, PEs essentially shepherd a proposed policy solution through the policy making process by first helping to identify, facilitate and create opportunities that can enable a proposed solution to get the notice of policy makers (Kingdon, 2002).

PEs have been found to face significant hurdles in gaining the attention of policy makers who are reluctant to take on the financial and political risks inherent in implementing new programs. To surmount these hurdles, PEs use their knowledge, power, resources and tenacity to effectively call attention to a policy solution, such as PFS (Baumgartner & Jones, 2009; F. S. Berry & Berry, 2014; Kingdon, 2002; Mintrom, 1997a). They also use logic and narrative to couple the problems and solutions (coupling logic) and provide the information needed (Zahariadis, 2014) for policy makers' decisions (M. D. Jones et al., 2016).

PEs come to decision makers with a premeditated solution using a number of tactics. According to Kingdon (2002) PEs "wait in and around government with their solutions at hand, waiting for problems to float by to which they can attach their solutions, waiting for a development in the political stream they can use to their

advantage" (p.165). By this definition, PEs are essentially individual change agents who are continuously on the lookout for opportunities to interject their policy or solution. However, individual actors can also be motivated into policy entrepreneurship through some sort of disruption (focusing event) or through other shifts (indicators) in a government system generally held in place by inertia (Kingdon, 2002). School shootings and natural disasters are focusing events shown to compel individuals into policy entrepreneurship (Farley et al., 2007; Samuels, 2013; Smith-Walter, Peterson, Jones, & Nicole Reynolds Marshall, 2016). Roberts and King (1991) found PEs were motivated by indicators showing declining performance in public schools.

Scholars have identified PEs in the bureaucracy (Arnold, 2015; Hopkins, 2015) as well as being more elite players in the policy process (Kingdon, 2002; Mintrom, 1997a; Palmer, 2015; Zahariadis, 2014). PEs can be found both within and outside of government. As such, it must be noted that there are differences in the values and motivational factors between private, nonprofit and public sector employees when promoting innovation (Lyons, Duxbury, & Higgins, 2006). Thus, one must question what actors may gain from promoting a particular innovation. For instance, some might be motivated by monetary benefit, political recognition, or social or environmental justice. For others it may simply part of their job. Below I work to further illustrate the role of PEs by providing examples of two classic PEs, a government insider and a scientist.

In the early 1960s, Ralph Nader became aware of the high number of deaths caused by automobile accidents in the U.S. As a result, he actively engaged in changing policy around motor vehicle safety in the U.S. As a political elite, Nader had access to both decision makers in government and automotive industry executives. As such he was

able to plead his case and promote policy alternatives that would lead to safer vehicles. In this role as a PE, Nader was able to successfully promote policies that would force the U.S. automotive industry to internalize the negative consequences of motor vehicles, which resulted in the Motor Vehicle Safety Act of 1966 (MacLennan, 1988).

Rachel Carson, with her seminal book *Silent Spring* (1962), is often lauded as the key opponent against pervasive chemical use in U.S. agriculture (Levenstein, 1988). However, Carson was not alone in her quest. She was able to get organizations like the National Audubon Society and political elites like President John F. Kennedy to question the safety of widespread, and lightly regulated, chemical use (Griswold, 2012). With Carson as their policy entrepreneur, this loose coalition of actors was up against powerful chemical industry proponents. Actors from within federal agencies like the U.S. Department of Agriculture and chemical companies like DuPont argued that without chemical applications in agriculture many would go hungry (Darby, 1962).

Silent Spring and its message spread across the country, mobilizing ordinary citizens (Griswold, 2012). As Carson's coalition worked hard to impact the politics steam on Capitol Hill, testifying about the risks of chemicals to human and environmental health, coalitions outside DC formed. Before any laws were enacted at the federal level, these coalitions with their own PEs were able to influence state legislatures to regulate pesticide applications (Carpenter, 1996). This influence at the state level eventually impacted decisions at the federal level. Much in part to Carson's efforts, in 1964 Congress was prompted to update the Federal Insecticide, Fungicide, and Rodenticide Act to require proof of safety prior to chemical use. In this era a problem, articulated by a PE from outside of government, promoted the formation of coalitions debating policies

impacting chemical use in the U.S. Ultimately the political stream at the federal level became receptive to change, but only after state-level policy windows were opened via the efforts of a nongovernmental PE, Rachel Carson.

As this example illustrates, policy entrepreneurship is impacted by many factors, and "success," defined as getting an issue on policy makers' agendas, is never solely within the control of the PE. Advocating for, influencing, and shaping policy innovations is helped or hindered by other factors such as the impact of other individuals, groups, or coalitions; changes in political climate; or other external factors that shift the focus of political agendas (Kingdon, 2002). In addition, PEs rarely work alone. Rather, they are active participants within a complex network of actors that influence the policy process. In this regard, some have suggested PEs can play the role of brokers between opposing viewpoints and, therefore, have the ability to bring together diffuse interests to address a policy issue (Mintrom & Norman, 2009).

Other factors have also been found to set PEs apart from other actors in the policy process and previous literature indicates that most PEs have certain common characteristics. For instance, Huitema et al. found that PEs "share a willingness to invest their resources (time, reputation and/or knowledge) in a particular proposal for policy change, and they possess good networking skills" (2011, p. 720). Mintrom and Norman (2009) note the social acuity of PEs, and Kingdon (2002) claims PEs are politically savvy. In a thorough review of PE literature, Jones et al. (2016) found three main factors to be associated with the success of policy entrepreneurs: resources (e.g., knowledge, time and money), access to decision makers, and strategy (e.g., issue framing). It is when

these three factors are aligned that PEs have been shown to be causal mechanisms for agenda setting (Hopkins, 2015; Huitema et al., 2011; Mintrom, 1997a).

PE literature seeks to identify actors engaged in policy diffusion, identify the power dynamics and relationship structure of actors engaged in diffusion, and examine PEs' efforts to enable acceptance of a policy innovation. The literature helps to answer the research questions: *What actors have been engaged in the diffusion of PFS in the U.S.?*; *What sectors do the actors involved in the diffusion of PFS represent?*; *What is the geographical representation of the actors?*; and, *What tactics do PFS actors use to influence diffusion?*

Significance of Research

As stated above, this research seeks to understand the diffusion of PFS across the U.S. Studying the diffusion of this policy innovation is of academic and social significance. The literature shows that the diffusion of a policy innovation from one jurisdiction to another is an important component of policy change (Shipan & Volden, 2012). However, most of the existing literature looks at diffusion within the same level of government: state to state or city to city (F. S. Berry & Berry, 1990, 2014; Mintrom, 1997a, 1997b; Mintrom & Vergari, 1996; Shipan & Volden, 2008; Walker, 1969). My research expands the innovation and diffusion literature and examines policy diffusion among multiple levels of government. Further, as demonstrated above, there is a deep literature on policy entrepreneurship. However, most of the PE literature focuses on the national level (M. D. Jones et al., 2016). In addition, recommendations for future MSA research includes delving more into its concepts, including policy entrepreneurship, at a more localized level of government (Arnold, 2015; Cairney & Jones, 2015; Eissler,

Russell, & Jones, 2014; M. D. Jones et al., 2016; Liu, Lindquist, Vedlitz, & Vincent, 2010). My research primarily examines PEs' efforts at the subnational level. In the U.S. system of federalism, it is the states that have traditionally been thought as the laboratories of democracy (Fording, 2003; Galle & Leahy, 2008; Markell, 1994). Further, with neoliberalism and devolution lower levels of government are increasingly having to engage in problem solving, with less assistance from the federal government (Harvey, 2007). As PFS has diffused to both states and local jurisdictions I assert more broadly that it is subnational jurisdictions, states as well as counties and cities, that serve as hubs for innovative public policy.

Research on PFS also has limitations. To date, PFS literature has not adequately addressed the influence of the various sectors and actors engaged in PFS diffusion. However, because PFS involves the interests of multiple sectors, this research builds on previous PFS literature by addressing the role of public, private and nonprofit sectors in policy diffusion, which I determine through identification of the actors engaged in PFS diffusion. Finally, what I present is an embedded, mixed methods case study of the diffusion of PFS, addressing Berry and Berry's (2014) critique that the vast majority of diffusion studies are quantitatively focused.

Conclusion

In this chapter I have examined three distinct sets of literature: agenda setting, diffusion of innovation, and policy entrepreneurism. Literature on agenda setting and diffusion of innovation explains factors associated with the catalysts that prompt a jurisdiction to innovate. This literature will help direct my research efforts to examine the factors associated with diffusion of PFS across the U.S. Policy entrepreneurism literature

sheds light on the roles of the actors involved in the diffusion policy innovations. This literature will help my analysis of the roles of the actors who have facilitated PFS diffusion.

In the next chapter I provide a detailed discussion of my methodology as informed by the literature outlined in this chapter.

CHAPTER FOUR: METHODOLOGY

This chapter presents my research design, data collection and data analysis procedures that I used to answer my research questions. In this chapter I discuss both the practical procedures as well as their theoretical foundations.

The specific research questions were formulated in Chapter 2 and are restated below:

1. What has been the process of Pay for Success (PFS) diffusion in the U.S.?

    1a. How has PFS diffused across the U.S.?

    1b. What has catalyzed PFS diffusion in the U.S.?

    1c. What factors lead to successful PFS diffusion?

2. What actors have been engaged in the diffusion of PFS in the U.S.?

    2a. What sectors do the actors involved in the diffusion of PFS represent?

    2b. What is the geographical representation of the actors?

    2c. What tactics do PFS actors use to influence diffusion?

I begin the chapter by describing the influences on my research design and then provide an explanation of the research design itself. I then detail my research model, including details of the quantitative and qualitative approaches that I utilized to answer my research questions. I end the chapter with a discussion of the validity and reliability of the research.

Influences on Research Design

Research Objective

A number of social science scholars (Bryman, 2016; Creswell, 2013; Franklin, 2012) agree that it is the research questions that should drive the methodological approaches utilized in research, rather than a particular researcher's training or preference. Gilardi finds this to be "particularly acute in diffusion research" (2016, p. 15) as the research 'templates' designed by previous scholars are mostly quantitatively focused and do not allow for a deeper understanding of *why* diffusion occurs. Adhering to the intent of the research questions is also particularly important when considering the role theory plays in this research. My primary intention was to use theory as a means to examine a particular phenomenon, the diffusion of PFS in the U.S. It is important to note that the aim of this study is not to quantify or measure something; rather it is to improve upon the understanding of a particular case, PFS diffusion in the U.S. These factors led to the semi-inductive nature of this study. Rather than using theory to build and test hypotheses, the theories presented in Chapter 3 have been utilized to understand mechanisms and processes. Thus, my research objective led to my use of these theories as an *a priori* framework to guide my research design, implementation and analysis. My objectives required my research design to be flexible enough to expand knowledge of the field of PFS and enable identification of patterns within the data to add to growth in PFS knowledge and inform theoretical development.

Experience

Scholars indicate that one's previous experiences can be utilized to guide their research (Bickman & Rog, 2008; Creswell, 2013; Luker, 2009; Stone, 1997; Tracy,

2013). As a practitioner, professor, and researcher I have been engaged in the PFS field since 2009 when I began teaching about the concept at Presidio Graduate School in San Francisco as part of the institution's Capital Markets class. From 2009 through 2014 my engagement was passive, participating in trainings, conferences, and webinars focused on the topic. I engaged directly with PFS actors through these events and began building professional relationships. In 2015 I became a Policy Innovation Fellow for the city of Boise, ID, where I conducted a feasibility assessment on utilizing PFS to address issues related to chronic homelessness. My fellowship was funded by the White House Office of Social Innovation and the Corporation for National and Community Service. I received direct technical assistance, training, and support through the Sorenson Institute at the University of Utah. Through this fellowship I continued to develop my knowledge in the PFS field and also built a strong network with PFS actors. It was this knowledge and network that provided a foundation for the methodology presented in this chapter. This led me to select a methodological approach where I could use my background and experience to design the research and implement data collection (Tracy, 2013).

Prior Research

As mentioned in Chapter 2, little research has been conducted on PFS and at the writing of this dissertation no research has sought to understand its diffusion across the U.S. The dearth of literature on PFS in the U.S. is likely due to the nascent stage of its diffusion, having been first launched in 2012. Upon commencement of my research only 12 PFS projects had been launched in the U.S. Although my ability to call on literature specific to PFS was limited, I did look to prior scholarship concerned with diffusion of policy innovation. Rogers' (2003) diffusion of innovations theory provided direction

regarding what factors should be examined to explain how, why, and at what rate PFS spread across the U.S. Diffusion of policy innovation research was consulted for the research design, particularly for identifying factors regarding internal and external determinants influencing diffusion and actors engaged in PFS diffusion. Much of the diffusion of policy innovation literature has been quantitative and focused on drawing causal inferences using large datasets (F. S. Berry & Berry, 2014). However, the small population (only 12 PFs projects in the U.S.) presented problems for utilizing any explanatory research from past studies (Berman & Wang, 2012). Such factors led to my study of PFS to be largely descriptive in nature (Creswell, 2013).

Research Design

Design for my research, informed by the research questions, case, theory, and my experience, came in two phases: (1) research definition, and (2) research design and planning, as illustrated in Figure 4.1.

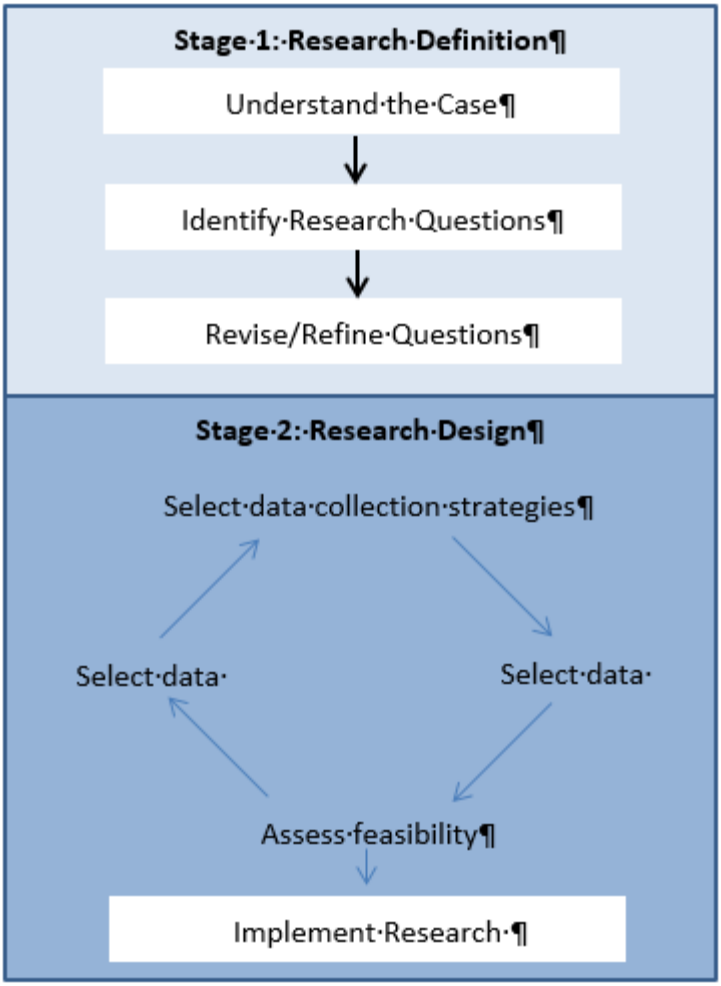

Figure 4.1 Research Planning and Design (adopted from Bickman & Rog, 2008)

When I first I began to gather background information on the topic of the diffusion of PFS the research questions that emerged were mainly suited for a qualitative study. At that time, I did not believe the case of PFS in the U.S. would provide for any numerical data collection and analysis due to the nascent stage of its diffusion. However, as I refined my research questions, I began collecting and organizing data on all of the PFS projects in the U.S., both those enacted and those under consideration. As I collected this data, I organized it into a formal data set, and soon realized that this the enumerated data, available through this unique dataset, could provide a more thorough overview of PFS in the U.S., even if only for the descriptive purposes of my study. Thus, an

embedded, mixed-methods, case study approach emerged as the most pragmatic and comprehensive design. I articulate the benefits of such an approach through a discussion of the use of case studies in research as well as the attributes and limitations of quantitative, qualitative, and mixed-methods research.

Case Studies

As I was interested in examining PFS diffusion in the U.S. from its inception to present day (2009-2019) a single case study approach was taken in my research. Case study research allows for in-depth, empirical inquiry and analysis of a phenomenon (i.e., a program, a process, event, an individual, a group, etc.) in a defined location and over a set period of time (Creswell, 2013; Franklin, 2012; Yin, 2017). Previous studies on diffusion of innovation have utilized a single case study approach to examine diffusion of a particular policy, such as Mintrom and Vigari's (1998) examination of state education reform, Montalvo and Kemp's (2008) clean energy study, and McGrady's (2016) study of sustainability diffusion across Colorado ski resorts.

Yin (2017) describes three types of case studies:

1. Exploratory case studies are utilized to determine research objectives and questions of a subsequent study.
2. Descriptive studies aim to provide a complete account of a phenomenon within the selected context.
3. Explanatory case studies seek to examine relationships and establish causal inferences.

My research is modeled primarily from Yin's descriptive approach. I collected quantitative and qualitative data in order to provide a thorough account of how PFS has

diffused across the U.S. I also examined relationships, but without making causal inferences. This type of collection of data through multiple sources and techniques is often the best approach to develop an in-depth understanding of a case (Crowe et al., 2011).

Quantitative or Qualitative Research?

The qualitative versus quantitative debate in social science research once created a chasm between the "power of ideas" and the "power of numbers" (Franklin, 2012, p. 2). Qualitative data tended to be classified as subjective, inductive, and exploratory while quantitative data was viewed as more objective, deductive, and explanatory; yet none of these traits are truly exclusive to one methodology (Atieno, 2009) and each has its own limitations (Creswell, 2013). An increasing number of scholars consider both approaches to have not only a justified place in academic research but suggest they can complement one another when combined in a study (Brannen & Moss, 2012; Bryman, 2016; Creswell, 2013; Earley, 2007; Franklin, 2012; Tashakkori & Teddlie, 1998). Indeed, scholars have demonstrated that some studies require both qualitative and quantitative research to fully address the questions posed in the study (Strasser, Binswanger, Cerny, & Kesselring, 2007; Swanson, Olson, Miller, & Lawrence, 2008; Wakefield, Warren, & Alsobrook, 2011). In the case of the research presented in this dissertation I utilized a mixed-methods approach.

A mixed-methods research design brings together quantitative and qualitative approaches into a single study. This combining of methods can allow quantitative results to build to the subsequent qualitative data collection or vice versa (Creswell, 2013; Franklin, 2012). It enables convergent approaches to data collection, where the

quantitative and qualitative research is concurrent (Creswell, 2013). The mixed methods approach employed in this study enables the quantitative research to be embedded within the more predominant qualitative study to both inform the qualitative research and triangulate the results (Kanga, Njeru, Wachera, & Rutere, 2015).

Mixed method research can address the limitations of quantitative and qualitative research when utilized as discrete methodologies (Brannen & Moss, 2012; Creswell, 2013; Franklin, 2012; Kanga et al., 2015). Some of the benefits include the following.

- Qualitative data recognizes individual opinions and experiences, whereas quantitative data collection and analysis aggregates individuals into 'like' groups which enables systematic comparisons but may give a false impression of homogeneity.
- Qualitative analysis can enable subjectivity and bias on behalf of the researcher whereas quantitative analysis provides for a more objective view of the data collection and analysis.
- Quantitative research can reveal what is going on while qualitative research explores how and why.

Perhaps the most powerful attribute of mixed methods research is that its pluralistic approach enables triangulation across different methods examining the same phenomenon. Triangulation allows for several different research techniques in the same study to confirm and verify data gathered through each of the techniques (Franklin, 2012) and to increase internal validity of the research (Crowe et al., 2011). As such triangulation adds rigor, richness and depth to the research design. In addition,

triangulation helps to control researcher bias (Creswell, 2013; Tracy, 2013), which is of importance in this study due to my personal association with the PFS sector.

Mixed methods research is not without its faults. It generally requires more effort, and thus more time, to design and implement the study (Creswell, 2013). Further, analysis in mixed methods studies is can be complex, which may add to the length of time of the study. Mixed methods studies have been criticized as not being rigorous nor providing opportunity for causal inferences (Crowe et al., 2011). Despite these challenges, which I address in a subsequent section, my research questions led to the choice of utilizing a mixed methods research model for this study.

Below I further describe the quantitative and qualitative methods used in this research. I first provide a broad overview of each method, and I follow this with more detailed information about how each method was utilized to answer my research questions.

Quantitative Methods

In quantitative research numeric data is collected in order to examine relationships through the use of statistical analysis or computational or mathematical techniques (Creswell, 2013). As such, it allows researchers to test hypotheses regarding correlations or relationships between variables. Quantitative research allows for geospatial analysis, comparison of values across categories, tracking changes over time, part-to-whole comparisons, and representation of the distribution of data (Atieno, 2009; Bryman, 2006; Creswell, 2013; Daniel, 2016; Hanushek & Jackson, 2013; Hesse-Biber, 2011). Quantitative research is replicable in a way that enables other researchers to perform the same study and get the same results (Daniel, 2016). Quantitative data

consists mostly of close-ended, static information which aids in the objectivity of the data collection and analysis.

Policy innovation and diffusion scholarship has mostly been conducted through quantitative analysis of large, longitudinal datasets used to test various models of diffusion and draw inferences as to why or how policies are adopted (F. S. Berry & Berry, 2014). This requires a substantial amount of data which was not available for PFS in the U.S. during the timeframe of this study. For the research presented here, quantitative data provides for exploration and description of the case of PFS diffusion in the U.S., rather than for explanatory analysis. Specifically, the quantitative portion of my study allowed analysis of an empirical dataset which identifies occurrence of PFS diffusion, enabling identification of factors specific to each PFS project and trends across PFS projects in the U.S. This dataset was built via a systematic content analysis of documents associated with PFS in the U.S., which I describe in further detail below.

Qualitative Methods

Not all information necessary to understand certain phenomenon can be enumerated (Cameron, 1963). Qualitative research, both in data gathering and analysis, focuses on material that cannot meaningfully be expressed in numbers (Corbin & Strauss, 2014; Creswell, 2013; Franklin, 2012; Tracy, 2013). Qualitative research is suitable for in-depth studies with generally much fewer participants than large quantitative randomized studies (Tracy, 2013, p. 229). Much like quantitative analysis, qualitative analysis allows scholars to engage in empirical research that moves beyond the subjective and tests relationships and hypotheses (Luker, 2008; Tracy, 2013). Further, qualitative research is suitable for studies in which the purpose of the research questions is to gain

insight into a topic on which little literature exists, and thus are exploratory or descriptive in nature (Corbin & Strauss, 2014; Creswell, 2013; Franklin, 2012; Tracy, 2013). Qualitative approaches allow information to be obtained directly from actors engaged with a case and enables analysis of the content associated with it. The qualitative data elements in my study facilitated data collection associated with the experiences of actors engaging with PFS and analysis of this data through interpretivism and thick description (Geertz, 1973). Such analysis could not be obtained by the traditional quantitative methods deployed by many diffusion of policy innovation scholars.

Research Model

As demonstrated, pragmatic and theoretical considerations led me to an embedded, mixed-methods, case study approach for my research design. In order to answer my research questions, the first step I took was to build a quantitative dataset that then informed the subsequent qualitative methodological design and sample selection. There are a number of points of interface between the quantitative data set and the qualitative data collected. The quantitative data collection informed the qualitative sampling, interview protocol development and participant observation strategy. In turn the quantitative dataset was updated over the course of the study in order to triangulate with the data gathered and analyzed through the qualitative research. As illustrated in Figure 4.2, this design embeds quantitative data collection and analysis into the larger more prominent qualitative case study of PFS in the U.S. (Creswell, 2013).

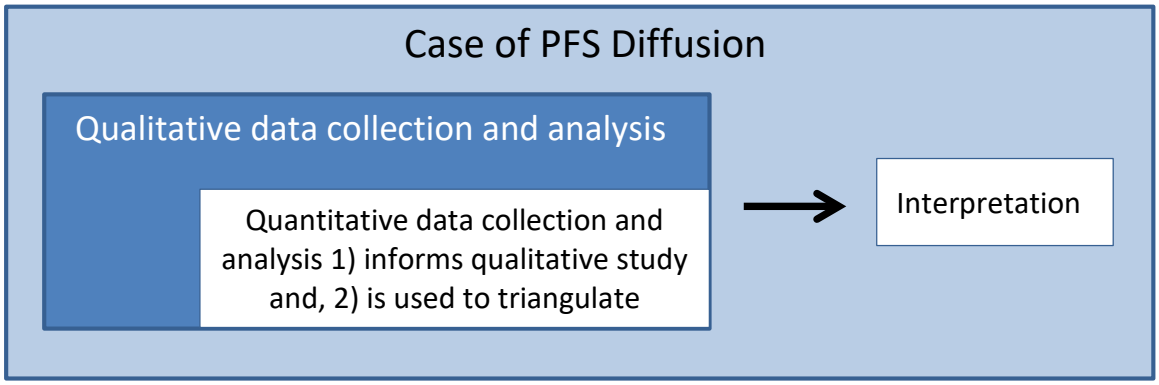

Figure 4.2 Embedded Mixed-Methods Research Design

Defining the Case

As noted in chapter 2, the concept of PFS was first introduced in the U.S. in 2009 by way of the launch of a similar policy in the U.K., a social impact bond to address recidivism. However, PFS diffused to the U.S. in 2012. Therefore, to provide a thorough and rich description of the case of PFS diffusion in the U.S. the study period begins in 2012 and concludes ten years later, in February 2019, upon the release of notice of funding availability for awards under the Social Impact Partnerships to Pay for Results Act (SIPPRA). The timeline of the case allows for collection of data regarding PFS activity that includes: the inception of PFS in the U.S, the activities related to the feasibility-related activity of 146 projects and shifts in government leadership - including two U.S. presidential administrations from two different political parties.

Quantitative Data Collection

In order to systematically and objectively provide an overview of PFS diffusion in the U.S. a dataset was constructed. Specifically, the data collected for this dataset helped to answer the following two research questions and two sub-questions:

1. What has been the process of Pay for Success (PFS) diffusion in the U.S.?

1a. How has PFS diffused across the U.S.?

1b. What has catalyzed PFS diffusion in the U.S.?

2. What actors have been engaged in the diffusion of PFS in the U.S.?

2a. What sectors do the actors involved in the diffusion of PFS represent?

2b. What is the geographical representation of the actors?

Quantitative Data Collection

The PFS dataset I constructed covers the study period of 1 January 2012 through 14 February 2019 and is comprised of 146 cases of PFS projects. The process of building the dataset entailed developing the list of variables to be collected for each PFS case, locating documents associated with each specific PFS projects (n=146), and examining the documents for the variables identified in the dataset. Specifically, the dataset was constructed utilizing data acquired through accessing publicly available documents and information including:

- PFS contracts and feasibility studies,
- Local and national media,
- Websites of jurisdictions, investors, service providers, intermediaries, and evaluators,
- Websites of organizations (governments, nonprofits, universities, etc.) funding PFS project feasibility or construction,
- Meeting agendas, minutes, and press releases from jurisdictions engaged in PFS contracts.

These documents were found through online searches for the items mentioned above. Information gathered from interviews and participant observation also directed me to resources utilized to populate the dataset. The dataset was created in Microsoft Excel.

Deductive and inductive reasoning informed variable selection for the dataset. The agenda setting, diffusion of innovation, and policy entrepreneurship literature discussed in Chapter 3 served as an *a priori* framework to guide selection of variables populated in the dataset. Variables selected for the dataset also informed the emerging themes identified through the inductive reasoning utilized to code data collected via interviews and participant observation. This resulted in 82 variables which I've divided into 11 categories: general information (project title, feasibility assessment year, number of individuals served, jurisdiction, level of government, launch year, current stage, motivation, objective, age focus, issue area, intervention, and project partners), enabling legislation, federal funding, project design, evaluation structure, service provider details, contracting terms, investor details, repayment structure, repayment terms, and project costs not covered by capital raise.[3] Table 4.1 provides association between the study's research questions and the overarching variable categories analyzed to answer the research questions.

[3] I built this dataset off of the structure created by Nonprofit Finance Fund's dataset of 20 projects. I began with their variables and added variables, informed by theory, to help answer my research questions.

Table 4.1 Research Questions and Associated Variables

RQ1: What has been the process of Pay for Success (PFS) diffusion in the U.S.?							
Research Question	**Dataset Variable**						
1a: How has PFS diffused across the U.S.?	Diffusion Year	Jurisdiction	Level of Government	Launch Year	Current Stage		
1b: What has catalyzed PFS diffusion in the U.S.?	Motivation	Age Focus	Issue Area	Intervention	Number of Individuals Served	Enabling Legislation	Federal Funding
1c: What factors lead to successful PFS diffusion?	Project Partners	Project Design	Evaluation Structure				
RQ2: What actors have been engaged in the diffusion of PFS in the U.S.?							
Research Question	**Dataset Variable**						
2a. What sectors do the actors involved in the diffusion of PFS represent?	Project Partners						
2b: What is the geographical representation of the actors?	Project Partners	Jurisdiction	Level of Government				
3c: What tactics do PFS actors use to influence diffusion?	N/A						
Emerging Themes	Federal Funding	Project Partners	Evaluation Structure	Contracting Terms	Repayment Structure	Repayment Terms	

Data Analysis

To understand the rate of PFS diffusion, the innovativeness of jurisdictions, and the innovation-decision process I utilized a timeline analysis on the variable 'Diffusion Year.' Rate of diffusion was calculated as the change in number of initiated PFS feasibility studies within a given one-year period. The timeline allowed for identification of early adopters and laggards, important actors in diffusion research (Rogers, 2003). Microsoft Excel was utilized for calculations and creation of associated tables and graphics. Pairing timeline data (i.e., the 'Diffusion Year' variable) with the variable 'Phase' and location data (i.e., the variables 'Jurisdiction' and 'Level of Government') allowed me to indicate the phase of PFS projects for specific jurisdictions as well as levels of government. Construction of a maps from this data was utilized to demonstrate the distribution of PFS in the U.S. MapChart, an opensource map creation platform, was utilized to create all the maps in this study.

Internal and external determinants of diffusion were tracked in the dataset to provide data for analysis of the factors catalyzing PFS diffusion. Table 4.2 outlines the variables in the dataset associated with the determinants. Descriptive statistics, alongside interview and participant observation data, were used to evaluate the occurrence of internal and external determinants that catalyzed policy diffusion.

Table 4.2 Diffusion Determinants and Associated Variables

RQ1b: What has catalyzed PFS Diffusion?					
Internal Determinants					
Policy	Enabling Legislation				
Social	Motivation	Age Focus	Issue Area	Intervention	Number of Individuals Served
Economic	Motivation	Issue Area			
External Determinants					
Coercion	Enabling Legislation	Federal Funding	Project Partners	Diffusion Year	
Policy Learning	Diffusion Year	Geographic Location			
Imitation	Diffusion Year	Level of Government			

In the case of PFS, 144 of the 146 projects had clearly defined issues motivating the projects and two projects were concerned with testing the general feasibility of PFS. As mentioned in Chapter 2, the philosophy of PFS is to direct services to targeted populations facing specific issues. One interview participant [CR 171102] said it succinctly, "The first question with Pay for Success is who is the service population and what are their needs?" Therefore, the variables 'Age-focus'[4] and "Issue Area' were utilized to provide indication of the target population being served.

[4] The adult population includes anyone 18 years of age or older, unless otherwise indicated. Early childhood includes children 0-5 years of age. Youth projects focus on children 6-18 years of age, with some projects focusing on youth 15-24 years of age.

The ages of the target population for PFS projects' motivating issues varied across projects, as demonstrated by Table 4.3. Age was tracked to determine if social construction was a relevant factor impacting PFS diffusion.

Table 4.3 PFS Projects by Age Group

Age Focus	Number of Projects
Adult	51
Adult (Female)	2
Adult (Seniors)	3
Adult (Veterans)	2
Community	1
Early Childhood	36
Early Childhood/Youth	17
Early Childhood/Youth/Families	3
Families	2
General	2
Youth	27
Total	**146**

Grouped Age Focus	
Adult (all)	39.7%
Community	.7%
Early Childhood	24.7%
Children & Youth	11.6%
Families (all)	3.4%
General	1.4%
Youth	18.5%
	100%

Projects tended to be motivated by specific age groups, rather than on a community's entire population. Most projects were motivated by issues related to children and youth, which accounted for 58.2% of projects.

In many cases multiple issues motivated projects, as was the case with homelessness which most often overlapped with criminal justice and health issues. To remedy this overlap, issue areas were coded as primary, secondary, tertiary, and quaternary. Table 4.4 illustrates the motivating issues for PFS which emerged from the PFS database.

Table 4.4 PFS Projects by Issue Area

Issue Focus	Number of Projects
Abuse/Neglect	3
Criminal Justice	16
Criminal Justice, Education	1
Criminal Justice, Female	1
Criminal Justice, Health	3
Criminal Justice, Workforce	8
Education	21
Education, Environment, Health	2
Education, Health	4
Environment	1
Environment, Health	12
Foster Care	2
General	2
Health	13
Health (Maternal and Child)	10
Health (Mental)	3
Health, Affordable Housing	1
Health, Housing	1
Health, Workforce	2
Homelessness	6
Homelessness, Criminal Justice	4
Homelessness, Criminal Justice, Data, Health	1
Homelessness, Criminal Justice, Health	6
Homelessness, Criminal Justice, Health,	1
Homelessness, Criminal Justice, Health, Workforce	1
Homelessness, Criminal Justice, Mental Health	2
Homelessness, Education, Health	1
Homelessness, Health	6
Incarcerated Parents	1
Workforce	11
Grand Total	**146**

Data associated with the variable ‘Enabling Legislation’ was tracked in the database by pulling from two data sources. First, I pulled from the National Conference of State Legislatures, and second from the Nonprofit Finance Fund. Sub variables associated with ‘Enabling Legislation’ included ‘Jurisdiction,’ ‘Title of Legislation,’ ‘Legislative Year,’ and ‘Stage.’

Variables associated with the external determinants of policy learning, imitation, and coercion were also tracked. Policy learning and imitation were informed by the ‘Diffusion Year,’ ‘Geographic Location,’ and ‘Project Stage’ variables. Coercion was tracked through measuring the flow of federal funding to projects as well as the fiscal intermediaries associated with federal funding and timeline of diffusion. This analysis was informed by the variables ‘Enabling Legislation,’ ‘Federal Funding,’ ‘Project Partners,’ and ‘Diffusion Year.’ To better understand the concentration of actors in the PFS field and relationships within it, a network analysis was conducted utilizing the opensource software Gephi. Network analysis allows for determination of an actor’s position in a network, which informs the actor’s role in the network as well as their opportunities and constraints (Borgatti, Everett, & Johnson, 2013). Such analysis also provides indication of the power structure within a network. Since I was particularly interested in the flow of federal funding, my analysis was focused on the conduit that allowed funding to reach PFS projects.

Finally, the dataset was utilized to purposefully build a roster of interviewees best suited to inform my research questions. This allowed me to ensure interview participants were representative of the population of PFS actors, I utilized the variables ‘Project

Partners,' 'Geographic Location,' 'Level of Government,' 'Issue Area,' and 'Current Stage.'

Qualitative Data Collection

Qualitative data for this research was collected through semi-structured interviews, participant observation, and content analysis. These data collection strategies provided rich data on the perspective of actors engaged in the case of PFS diffusion. This qualitative data informed each of the research questions presented at the beginning of this chapter.

Content Analysis

Documents associated with PFS projects were reviewed in order to provide a deeper accounting of PFS diffusion and inform construction of the PFS dataset.

Data Collection

As noted in the previous section documents for review included PFS contracts and feasibility reports, published PFS case studies, national newspapers (New York Times and Wall Street Journal), and newspapers local to the five originally selected jurisdictions (selected from dates ranging from two years prior to finalizing the PFS contract to one year after). The search terms 'Pay for Success' and 'Social Impact Bonds' were used to select newspaper articles. This data collection effort focused specifically on information that would help build out the PFS dataset. Data collection included information regarding actors engaged in the PFS effort, details regarding legislation, timeline data, contracting terms, project design, and general information about PFS projects including motivating community issues.

Interviews

Semi-structured interviews (24) were used to connect directly with 27 PFS actors and gain an understanding of their experience with PFS and their perspective on their engagement with the policy innovation. Interviews, each lasting 30-75 minutes, were recorded and were conducted with use of an interview protocol (see Appendix B) to ensure coverage of major topics associated with the research questions. Three interviews were not recorded, but near verbatim notes were taken during the interviews. NVivo software was utilized to transcribe recorded interviews. All interview transcriptions and notes were coded in NVivo. I detail the coding strategy utilized in further detail below.

Sampling and Data Collection

Individuals representative of the actors in the case of PFS diffusion were identified as potential interview participants (Tracy, 2013). As an alternative to random sampling, purposeful sampling was utilized in order to enable me to select participants most able to inform my research questions (Creswell, 2013). Several steps were taken to identify the sample. First, I utilized the dataset I constructed to select five jurisdictions from the 12 that had implemented PFS projects at the launch of this research (April 2017). The selected sites were geographically varied, with two from the East Coast, one from the Midwest, one from the Mountain West, and one from the West Coast. Demographically, the sites varied in population size, political party affiliation, and racial diversity. Finally, the chosen sites offered a range of issues being addressed through PFS. The PFS dataset included project partners for each jurisdiction selected; this list was utilized to identify organizations representing each of the key sectors (i.e., government, service provider, investor, evaluator, and intermediary) for the PFS projects. PFS actors

at the national level who have been engaged with PFS since its inception (2012) were also selected to be interviewed. An email was sent to the organizations to recruit the appropriate person for an interview (see Appendix C for the recruitment email). To determine if any additional individuals should be contacted for interviews, a snowball technique was used by asking interviewees for suggestions of other important actors in diffusion and adoption of PFS. Due to the snowball sampling and triangulation with the PFS dataset, those ultimately interviewed represented a much larger diversity in geography than the original participants selected.

Participant Observation

Conferences, webinars, and networking events provide opportunities for jurisdictions to learn about policy innovations (Freeman, 2006). In order to capture such diffusion in action I included participant observation in my study. Participant observation also enabled me to collect data on the perception of actors engaged in PFS. Participant observation for this study included PFS-focused conferences, meetings, and webinars. This included observation of 82 unique individuals through 27 unique sets of observation which occurred during three conferences, two webinars, and one seminar. These events took place from 2017-2019.

Data Collection

Observation included political and high-profile figures and other actors engaged in PFS in the U.S. The interview protocol was utilized to guide the observation. The observations were recorded via typed notes. The notes primarily collected aggregate themes and trends and, on occasion, directly quoted an individual. These notes were coded within the NVivo software. Like the interviews, this data from the participant

observation provided insight into the structuring of PFS projects and the thought process decision makers go through when considering a PFS project in their jurisdiction.

Data Analysis

All of the transcribed interviews and participant observation notes were coded so as to assign units of meaning to both descriptive and inferential information. These codes were adhered to words, phrases, sentences, or entire paragraphs. As mentioned above, NVivo, a qualitative data analysis software, was utilized for transcription, coding, and analysis.

Initial coding of interview and participant observation transcripts was deductive in nature as theory was used as an *a priori* framework to develop the nodes (NVivo uses the term 'nodes' to refer to how themes are coded in the content being analyzed) used to code the content. Thus, these first nodes developed reflected the overarching factors associated with agenda setting, diffusion of innovation, and policy entrepreneurism, including 'Diffusion Characteristic,' 'PE Factors,' and 'PFS Framing.' As I coded the data, themes emerged not directly associated with the theory used to develop my study. I allowed these themes to inform additional codes which reflect factors associated with the history as well as the future of PFS and issues actors associated with the policy innovation. The coding itself was conducted line by line. Table 4.4 provides an overview of the parent and child nodes (coding scheme) selected for coding. A parent node is the general topic (n=19) and a child node is a more specific topic (n=69). Table 4.5 provides association between the study's research questions and the parent nodes utilized to code the data and enable analysis.

Table 4.5 Coding Scheme

Parent Node	Child Node									
Diffusion	Point of Diffusion	Year								
Diffusion Characteristic	Innovator	Early Adopter	Majority	Laggard						
Geographic Location	Local Jurisdiction	State								
Issue Area - Age	Adult	Early Childhood, Children/Youth	Families	Youth	Community	General				
Issue Area - Focus	Abuse/Neglect	Criminal Justice	Education	Environment	Foster Care	Health	Homelessness	Incarcerated Parents	Workforce	General
Internal Determinant	Economic	Issue Pressure	Policy	Politics						
External Determinant	Coercion	Competition	Imitation	Normative Pressure	Policy Learning	Punctuating Event				
PE Factors	Resources	Access	Strategy							
Actor Factor - Resources	Knowledge /Skill	Money	Authority	Time						
Actor Factor - Access	Decision Maker	Influencer	Policy Entrepreneur							
Actor Factor - Strategy	Brokering	Framing								
PFS Sector	Target Population	Government	Intermediary	Investor	Service Provider	Evaluator				
PFS Actor	Organization	Individual								
Relationship Between Actors	Project Partners	Colleagues	Funding							
Policy Entrepreneurship	Government Champion	Entrepreneur	Intrapreneur							
PFS Framing	Technical feasibility	Resource availability	Political acceptance							
PFS History	Obama Adm.	Trump Adm.								
PFS Future	Positive	Negative								
PFS Issue	Conflict of Interest	Complexity								

Table 4.6 Research Questions and Associated Parent Nodes

RQ1: What has been the process of Pay for Success (PFS) diffusion in the U.S.?							
Research Question	**Parent Node**						
1a. How has PFS diffused across the U.S.?	Diffusion	Diffusion Characteristic	Geographic Location	Level of Government			
1b. What has catalyzed PFS diffusion in the U.S.?	Issue Area - Age	Issue Area-Focus	Internal Determinant	External Determinant			
1c. What factors lead to successful PFS diffusion?	Diffusion	Diffusion Characteristic	PE Factors				
RQ2: What actors have been engaged in the diffusion of PFS in the U.S.?							
Research Question	**Parent Node**						
2a. What sectors do the actors involved in the diffusion of PFS represent?	PFS Actor	PFS Sector					
2b. What is the geographic location of the actors?	PFS Actor	Geographic Location					
3c. What tactics do PFS actors use to influence diffusion?	PFS Actor	Policy Entrepreneurship	PE Factors	PE Factor - Resources	PE Factor - Access	PE Factor - Strategy	PFS Framing
Emerging Themes	PFS Issue	PFS History	PFS Future				

Quality of Data

In order to ensure the quality of my research I followed Tracy's (2013) eight distinguishing characteristics of excellent qualitative research throughout the design and implementation of my project: worthy topic, rich rigor, sincerity, credibility, resonance, significance of contribution, ethical, and meaningful coherence. Examining the case of PFS diffusion is a worthy topic and has resonance, as it is timely, is of practical interest to PFS stakeholders, and will make significant contributions to innovation and diffusion as well as PFS scholarship. The researcher has been sincere and transparent with regard to the self-reflexivity utilized to design and implement the study. This is a rigorous embedded, mixed methods case study that is informed by theory and guided by research questions. Credibility was achieved through data triangulation.

Meaningful coherence and discriminant validity is achieved as the research conducted examines the intended research questions and issues (Tracy, 2013, p. 245). In regard to external validity, the sample selected for the semi-structured interviews was purposefully sampled, but also representative of the population of actors engaged in PFS diffusion in that their geographic representation varied and they were associated with PFS projects from sites that varied demographically, in population size, political party affiliation, and racial diversity. Finally, the selected participants had engaged in a range of issues being addressed across PFS projects. Individuals interviewed provided representation from each of the key sectors in the PFS projects: government, service provider, investor, evaluator, and intermediary. As such, the sample likely represents the sentiments of other actors engaged in the field. However, the overall research and

analysis was specific to the case of PFS diffusion in the U.S. and, thus, findings are not generalizable outside of the diffusion of this particular innovation.

The research conducted was ethically designed and implemented. Part of the research project included human subjects thus is was important ensure all data collection for this research was in accordance with Boise State University's Institutional Review Board policy. Original IRB approval was granted April 2016 and informed consent was received for interview participants. Several steps were taken to maintain confidentiality. After interviews, recorded data was immediately transferred to password-protected laptops and uploaded to password-protected servers. Any paper consent forms and written notes from the interviews were immediately scanned following an interview, uploaded to password protected servers, and the original paper documents kept in a locked file cabinet. The recordings from the interviews and associated transcriptions and analysis were kept on a password protected server. Reporting was conducted in a manner to maintain confidentiality.

Conclusion

This project followed an embedded, mixed method, case study approach examining the case of PFS diffusion in the U.S. This approach places a focus on the perception of the actors engaged in PFS diffusion. First, quantitative data collection and analysis were utilized to enable empirical description regarding the case and inform the sampling for the purposes of semi-structured interviews. Content analysis of documents informed construction of the dataset. Interview transcripts and participant observation notes were analyzed via a coding procedure. Quality was ensured via the systematic process utilized through the coding procedure. Multiple sources of data and diverse data

collection mechanisms enabled for data triangulation and allows the findings presented in the next chapter to reflect analysis of both quantitative and qualitative data.

CHAPTER FIVE: RESULTS

Chapter 4 provided a description of the methodology utilized to examine the diffusion of Pay for Success (PFS) across the U.S. This chapter presents the results of my research and is outlined by my research questions. First, I present the results related to the *process* of PFS diffusion across the U.S., discuss the *determinants catalyzing* PFS diffusion, and outline the *elements of successful diffusion*. Then I present the results as they relate to *the actors* engaged in PFS diffusion and discuss the *tactics* utilized by actors to influence diffusion. Finally, I present unexpected findings that emerged during my research.

Process of PFS Diffusion in the U.S.

In this section I lay out the results as they relate to my first research question: *What has been the process of PFS diffusion in the U.S.?* As defined by Rogers (2003, p. 5), the process of diffusion of innovation is the method "by which an innovation is communicated by certain channels over time among members of a social system." I first describe *how* PFS has diffused, as measured by time and jurisdiction. Following this I discuss what has catalyzed PFS diffusion, as measured by internal and external determinants influencing diffusion. Finally, I outline the factors associated with successful diffusion. Data from the PFS dataset, elite interview and participant observation are utilized in the associated findings.

How PFS has Diffused across the U.S.?

Time and geographic location data from the PFS dataset, described in detail in Chapter 4, provide for a descriptive analysis of how PFS has diffused across the U.S. Rogers (2003) indicates time is an important factor in measuring diffusion of innovation. The timing of adoption of an innovation by one actor can influence when other actors adopt the innovation. In the case of PFS, the actors are operationalized as jurisdictions and the innovation is PFS. The timing of adoption can provide an indication of early adopters and laggards (Rogers, 2003), and can inform instances of policy imitation or competition (Shipan and Volden, 2008).

As one interviewee from the first project in the U.S. described, early adopters face certain challenges:

> I think it was exceptionally hard because it was the first one. As more and more of these happen it may become easier and easier because they become more accepted and proven. But for us it was very difficult because there was skepticism and lots of details to work out.

As this interviewee highlights, early adopters face unique challenges and risks (F. S. Berry & Berry, 2014).

In order to identify the timing of PFS diffusion, the PFS dataset was utilized to provide a timeline of PFS diffusion at the individual project level. The data clearly indicates that PFS has diffused across the U.S. since the first project launched in 2012. As one actor engaged early in PFS diffusion stated in 2017, “We really built a field out of nothing over the last 5 years.” [PO LM 170125] The rate of this diffusion is measured by the change in number of initiated PFS feasibility studies (indicating PFS diffusion) within a given one-year period. Figure 5.1 provides state-level diffusions per year over the course of the study period. The diffusion year of the first project considered in a state

(whether at the state, county, or city level) is used to determine the year PFS diffused to a state. For this analysis the District of Columbia (D.C.) is treated as a state.

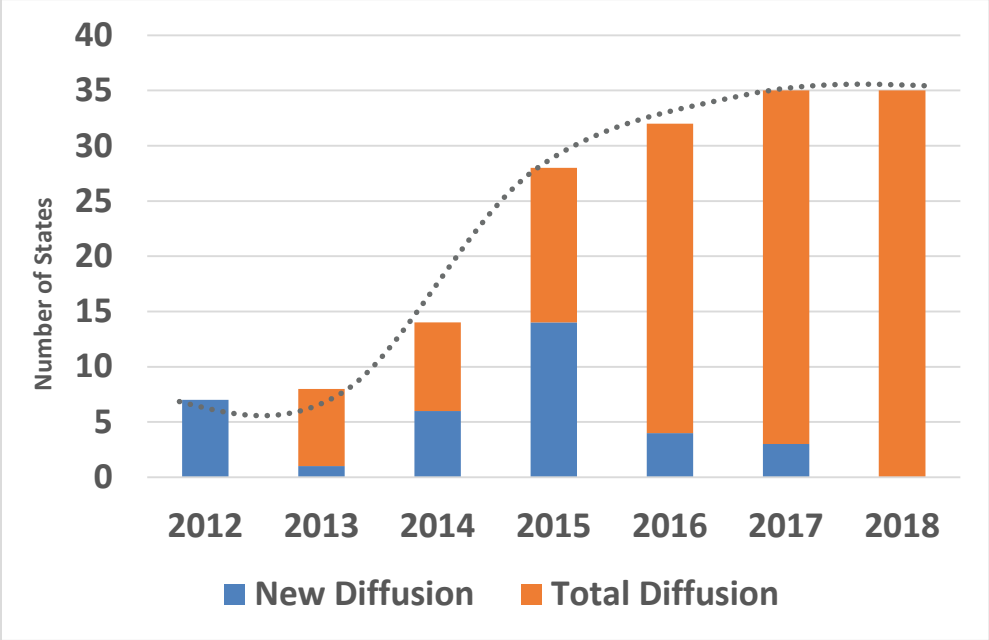

Figure 5.1 New State-level Diffusions by Year with Distribution Curve

State-level diffusion rates, when plotted over time, result in an S-shaped curve representing the rate of diffusion, and the shape of diffusion over time. My results support earlier scholarly work on diffusion of innovation (i.e., Rogers, 2003). Diffusion of innovation begins slowly as rarely are innovations adopted simultaneously by all actors (Rogers, 2003). This is seen in the first few years of PFS diffusion.

These early years provide indication of the PFS innovators, in the first year, and early adopters, in years two and three of diffusion. These actors are important to consider as innovators and early adopters face unique challenges. As the first actors to adopt an innovation they have no other actors to emulate. In addition, the success or failure of early adopters will set the tone for further diffusion of an innovation, like PFS (F. S. Berry & Berry, 2014). Finally, these actors influence the trajectory of future diffusion by

sharing information about the impacts of a policy, like PFS, to other jurisdictions considering it (F. S. Berry & Berry, 2014). On the other hand, the actors involved in diffusion in the last few years provide indication of the laggards or those slower to consider PFS. The middle years include the majority of the adopters. The middle years include the majority of the adopters. The curve levels off as saturation is reached and there are fewer actors remaining for diffusion. Although PFS diffusion has not reached all 50 states, thus complete saturation, diffusion ceased in 2017 indicating all likely states had adopted the policy innovation.

The diffusion rate of PFS can also be considered at the individual project level. Figure 5.2 depicts the number of project-level diffusions within a given one-year period. Rather than stack the data in Figure 5.2, diffusion is depicted only as the number of new projects per year to demonstrate the sharp decline in new diffusions after 2016.

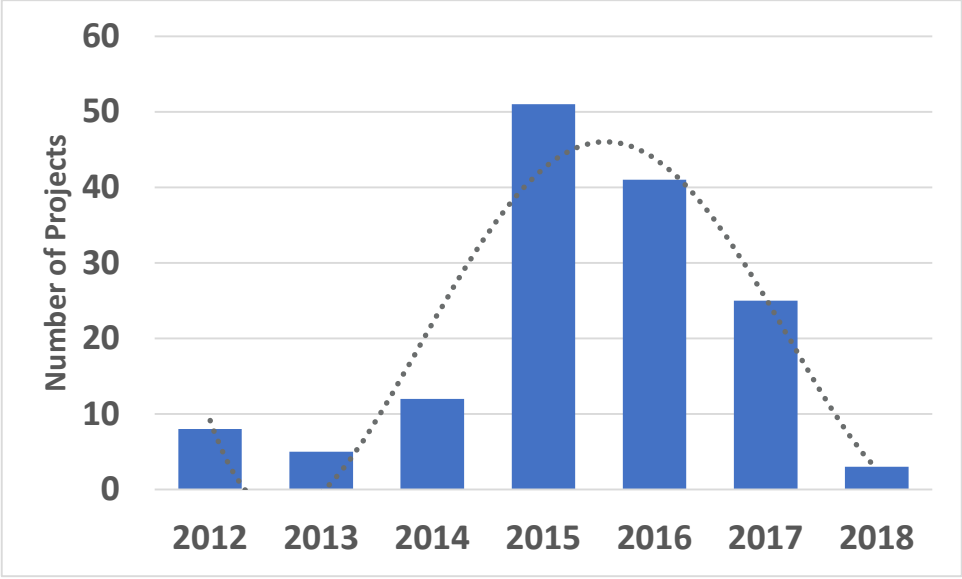

Figure 5.2 New Project-level Diffusions by Year with Distribution Curve

Generally, this decline would coincide with saturation, but saturation has not occurred as many more jurisdictions across the country could still adopt PFS. I examine factors associated with this decline further below.

Many of my respondents noticed these trends in diffusion but were uncertain as to its future trajectory. This is demonstrated through statements made in a 2017 panel discussion, *The Future of Social Impact Bonds and Pay for Success*. As one panelist shared, "I'm not sure if it is a critical inflection point. There has been steady growth, things [have been] moving forward." [PO JG 170125] A fellow panelist agreed, "We are at an inflection point. The next 12-24 months is where we need to focus on achieving the promise [of PFS]." [PO AP 170125] As this panelist inferred, she believed any future diffusion would depend on the success of current projects.

In addition to time it is important to consider the geographic location of PFS diffusion. The purpose here is to explore both geographic clustering, as was done by early diffusion scholars, like Walker (1969), as well as examine the relationship between state level diffusion and project level diffusion. The PFS data set indicates PFS has diffused to 34 states and D.C. Innovators and early adopters of PFS, as indicated by those jurisdictions within the first two years of diffusion, include California, Colorado, Illinois, Massachusetts, New York, Ohio, Utah and Virginia. Of the 146 instances of project-level diffusion, one project has been a multi-state effort, and three projects have been at the national level. Table 5.1 illustrates project-level diffusion years compared to jurisdiction.

Table 5.1 PFS Projects by Diffusion Year and Jurisdiction

	Diffusion Year							
Jurisdiction	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
AK						1		1
AR				1				1
AZ					2			2
CA	1	3	2	9	9	3		27
CO	1			3	3	5		12
CT			1	2	1	1		5
DC			1			1		2
FL						1		1
ID				1	1			2
IL	1	1			2	1		5
KY				1				1
MA	2			3				5
MA, NY (multistate)				1				1
MD			1	1	1	1		4
ME						1		1
MI				2	1	1		4
MN					1			1
MT				1				1
NC					1			1
NJ				1				1
NM				1				1
NV				2				2
NY	2		2	2	1			7
OH	1				2	1	1	5
OK			2	1				3
OR				3	2	1		6
PA				1	1	1	1	4
RI					3			3
SC				3	1			4
TN				1	1	1	1	4
TX			2	1	4			7
UT	1			5	1	3		10
VA		1		1	1	2		5
VT			1					1
WA				1	1			2
WI				1				1
Nationwide				2	1			3
Grand Total	**9**	**5**	**12**	**51**	**41**	**25**	**3**	**146**

As depicted in Table 5.1, those states with the highest number of PFS projects, California, Colorado and Utah, were also PFS innovators. Literature indicates success of

these early diffusions likely impacted additional diffusions within these states (Shipan & Volden, 2008). When a jurisdiction witnesses successful adoption of an innovation by a peer, the jurisdiction is more likely to innovate (Gilardi, 2016). My findings indicate this was the case with PFS diffusion within innovator and early adopter states.

Figure 5.3 provides a visual timeline of PFS diffusion to illustrate the rate of expansion across the county. [5]

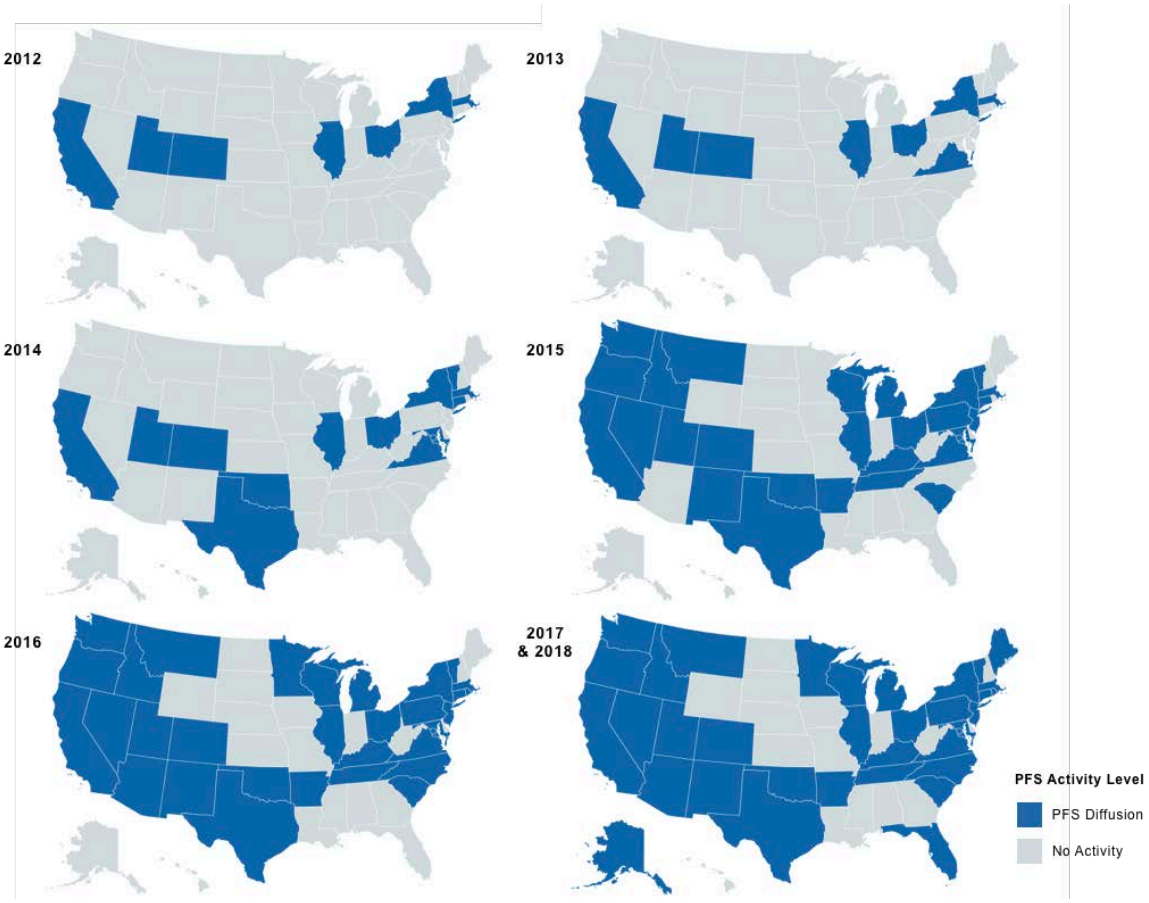

Figure 5.3 PFS Diffusion across the U.S.

As the above findings indicate, the rate of PFS diffusion in the U.S. was incremental until 2015, when the diffusion peaked. It then tapered off in 2018. This

[5] 2017 was the last year of identifiable state-level diffusion within the study period thus the end of the study period, 2018, is labeled on the same map.

diffusion rate follows the traditional S-curve rate demonstrated by previous scholars in other cases of diffusion of innovation. As with other instances of policy diffusion, the leap in diffusion rate from 2014-2015 was likely influenced by economic, social or political factors (Berry and Berry, 1990; Boushey, 2012; Shipan and Volden, 2008). Although the decline in diffusion rate at the state level is expected as fewer states remain for PFS to diffuse to (Rogers, 2003), the sharp decline in project diffusion is unexpected and could be related to influencing factors. Such factors are examined in greater detail below.

As discussed above, we can see that PFS has diffused across the U.S. However, my findings, presented in Table 5.2, indicate PFS projects were in four distinct post-diffusion phases at the end of the study period. It is important to consider the phase of a project as it may impact the diffusion of PFS to other jurisdictions (Shipan and Volden, 2012). For instance, an actor engaged in an implemented project likely has a greater impact on diffusion to another jurisdiction than an actor who is engaged in a project in the development phase. The timeline in Table 5.2 tracks the diffusion of PFS projects and provides details on the diffusion year compared to a project's current phase.

Table 5.2 PFS Projects by Feasibility Year and Current Phase

	Diffusion Year							
Project Phase	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Current Total**
Ended			2	4	1			7
Implemented/Ended	1							1
Implemented	7	3	4	6	3	4		27
In Development	1	2	6	41	37	21	3	111
Total	**9**	**5**	**12**	**51**	**41**	**25**	**3**	**146**

'Ended' projects went through feasibility and then were determined not to be feasible. 'Implemented/ended' projects were determined feasible, launched, and subsequently closed. A project 'in development' is in a period between feasibility and

implementation. An ‘implemented’ project has been determined feasible, has gone through structuring, and is an active PFS project. Project development for PFS is most often a multi-year effort, as indicated by the large number of projects still in development.

Figure 4.4 provides a geographic depiction of project phases at the state level.

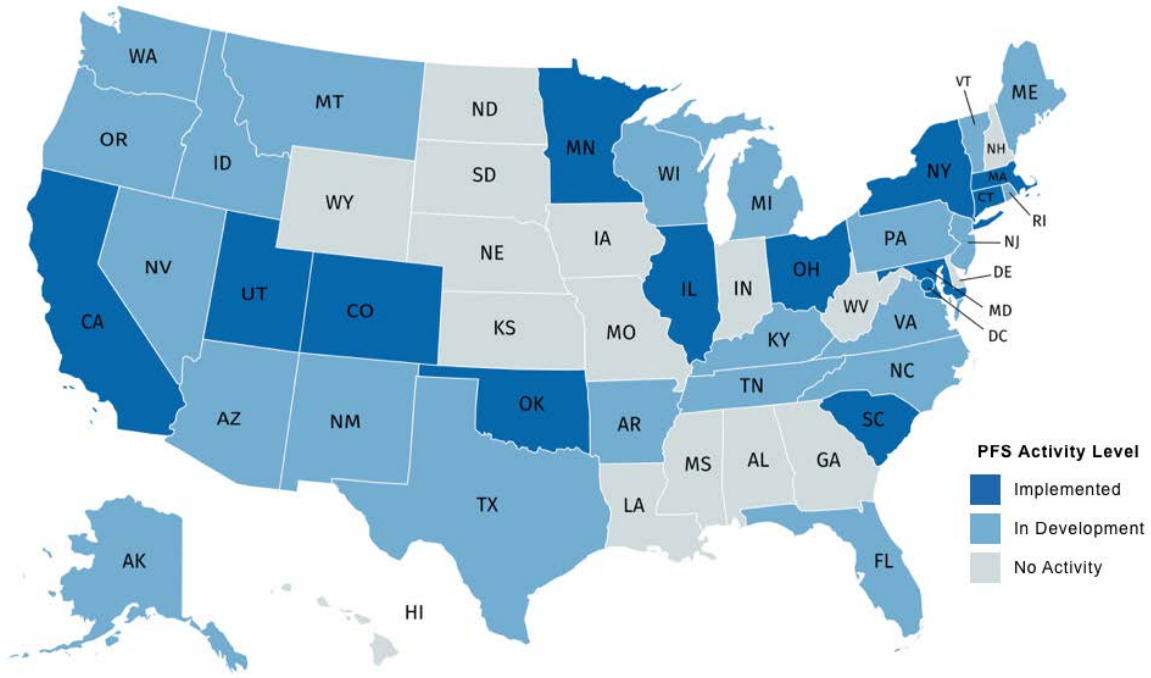

Figure 5.4 PFS Activity Level by State

The color of the state corresponds with the level of PFS development that a state has experienced. As the map illustrates, the 28 projects that have been implemented have been distributed across only 12 states and D.C. PFS has diffused to another 22 states, with projects at a phase between feasibility and launch. There has been no traceable activity in 16 states.

Geographically, the diffusion exhibits clustering. According to Walker (1971) this indicates communication between neighboring states may be influencing diffusion. Of note is the fact there a large number of states in the Midwest have not considered PFS.

One interviewee shared this me that these “flyover states” may have somehow been disregarded by actors influencing diffusion. [IP CR 171102] However, scholars since Walker (1969) have indicated these states are often among the laggards in diffusion of other policy innovations. In the case of PFS diffusion, laggards have the opportunity to learn from the action of other states, but those without any activity are excluded from the federal funding that has supported PFS diffusion. This is important to note as the states without PFS tend to share common issues that could be addressed through PFS projects. For instance, the southern states of Alabama, Georgia, Louisiana, Mississippi, and West Virginia all are ranked in the bottom 15 states for educational attainment (U.S. Census Bureau, 2018).

This section has discussed how PFS has diffused across the U.S., using time and jurisdiction as primary variables of interest. Further this section has examined research participants’ observations on how diffusion has occurred. Next, I focus on perceptions of why PFS has diffused across the U.S. I pay particular attention to the internal and external determinants of diffusion of policy innovation.

Why PFS has Diffused across the U.S.?

Diffusion of a policy innovation “encompasses a broad array of interdependent policy choices across governments” (Shipan and Volden, 2012, p. 6). As such, context plays an important role in policy diffusion (Cairney, 2011; Rogers, 2003). In this section, data from the PFS dataset, elite interviews, and participant observation are utilized to examine the internal and external determinants influencing diffusion to jurisdictions. The results, as presented, provide a contextual framework to understand why PFS has diffused in the U.S.

Internal Determinants

Internal determinants are political/policy oriented, social, or economic factors inside a community that may impact policy diffusion (F. S. Berry & Berry, 2014; M. D. Jones et al., 2016; Rogers, 2003). Through coding the PFS dataset, interviews, and participant observation three specific internal determinants were identified as likely influences of PFS diffusion: PFS enabling legislation (policy oriented), issue pressure (social factors), and jurisdictional economic constraints (economic factors).

Internal Determinants: PFS Enabling Legislation

Fiscal policies impact how jurisdictions contract or otherwise spend revenue which could help or hinder a jurisdiction's ability to innovate (Quiggin, 2006). PFS financing, in some cases, can require enabling legislation, which can allow a jurisdiction to enter into a PFS contract. States in which legislation has been introduced and enacted are illustrated in Figure 5.5.

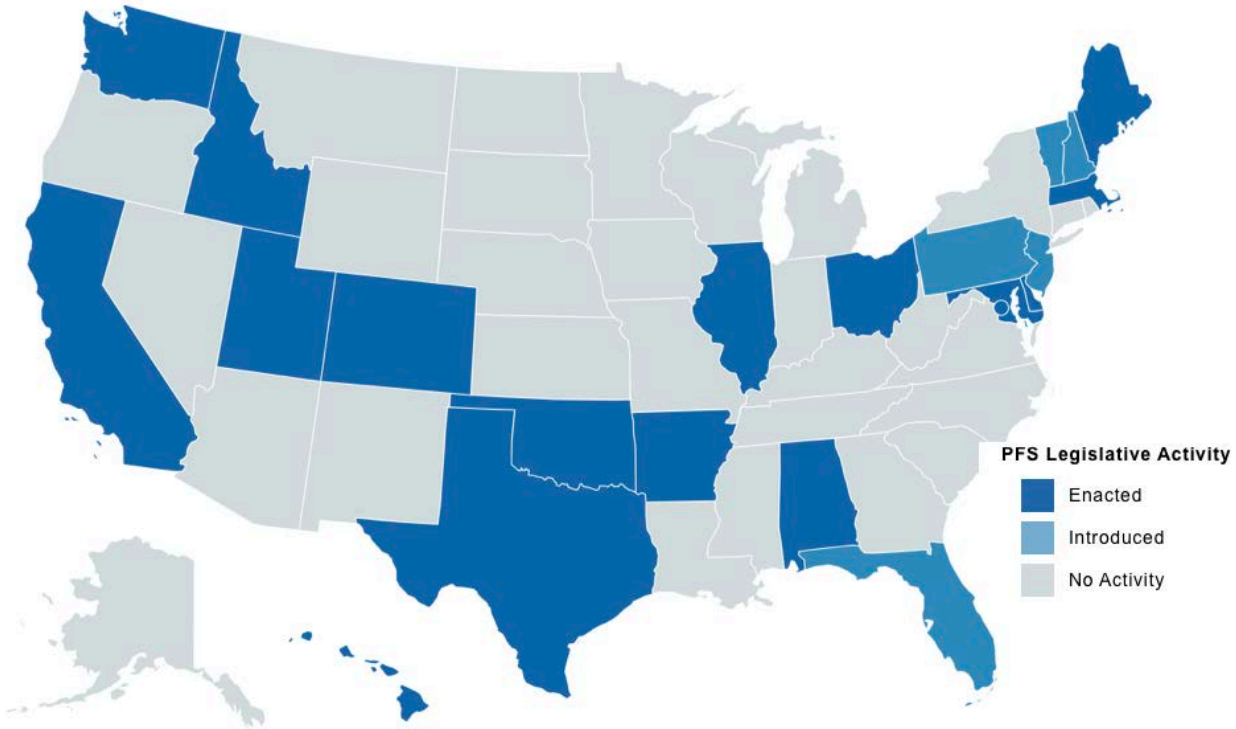

Figure 5.5 State PFS Legislative Efforts

Data from interviews and participant observation indicate enabling legislation is important for some communities considering a PFS project. As one participant from a national nonprofit remarked, "Most jurisdictions, especially at the state level, believe they need to have enabling legislation to enter into an outcomes-based contract . . . [some jurisdictions see this as necessary] to engage in Pay for Success." [IP RK] Acknowledging the importance of legislation, one intermediary engaged in PFS shared with me information about a "learning hub" her organization created that provides general information on PFS as well as examples of legislation for jurisdictions' use. Oftentimes, the intermediary shared, jurisdictions would be simultaneously working on structuring a PFS project while attempting to get legislation passed.

To determine if there was any relationship between states that have introduced legislation and PFS diffusion to states, cross tabulation was utilized (see Table 3).

Table 5.3 Relationship between Legislative Efforts and Diffusion

			PFS has Diffused		
			No	Yes	Total
Legislation has been Introduced	No	Count	11	17	28
		%	39.3%	60.7%	100%
	Yes	Count	5	18	23
		%	21.7%	78.3%	100%
Total		Count	16	35	51
		%	31.4%	68.6%	100%

As the cross tabulation indicates, there is a substantial difference (+17.6%) in the PFS diffusion rate of states that have introduced PFS enabling legislation compared to the states that have not. These data suggest that absence of enabling legislation efforts can be a barrier to PFS diffusion. Interview participants tended to agree. When asked about barriers preventing further diffusion of PFS, some participants asserted that communities and states perceive that they need to enact policy changes to enter into a PFS contract or use certain revenue streams. However, getting this type of legislation enacted is not always straightforward. One participant shared her story regarding the work she conducted on enabling legislation. She said that in order to help get legislation passed they had to "hire a consulting firm to help [their organization] navigate the intricacies of the state legislature." [IP EJ] Another participant from the same state, who was with a service provider organization, shared that one of the organization's board members registered as a lobbyist so he could help get PFS legislation passed.

Interviewees and participants observed asserted policy change was necessary for further PFS diffusion due to issues associated with "one-year funding." This is the notion

that state and local governments have restrictions regarding committing government dollars outside the current fiscal year, which then prevents them from entering into PFS contracts. One interviewee I spoke with shared a story about a fiscal policy issue faced by the CFO of a large city in the Midwest:

> We were in [a city] where there was the issue of the multi-year funding and you know the woman who is the CFO of the city . . . she shared, "There's a lot of people who were like, "No we can't do it. We can't enter into a multi-year agreement." And she was like, "The city signs multi-year leases all the time. All the time we do that and there's ways to make sure that [the city] gets paid in the future." [IP AP]

Ultimately the city was able to move forward with PFS without making fiscal policy changes, but it certainly was a time intensive struggle. This burden was felt by other jurisdictions as well. One interviewee in a different jurisdiction shared the experience of a project, "[One east coast] Pay for Success project unlocked some Medicaid dollars on the front end for their project . . . and that took them a long time to get. It was a big lift."

Interviewees from the federal government held the perception that local legislative efforts are required, with one suggesting diffusion has been limited due to the fact that there are ". . . a fair number of states and local governments who can't get involved due to structural barriers." [IP KV 190314] Many federal employees, like the following participant, gave specific examples of attempting to engage a local agency, in this case an agency in a western state:

> I was just in a meeting recently with some corrections officials to see if the Department of Corrections could be an end payer because obviously a reduction in recidivism should only translate into a benefit for them. But it's very similar conversations that I've been in before which is, "Yes we love this. We love your program. We want to do more of this but we don't have the money in this fiscal year to pay you. And we can't bind a future legislature to appropriate funding in the future. So we're in a bind. We don't know how to get out of it." And that's a very common reaction to this from government payers. [IP IG]

However, in some cases, my research indicates enabling legislation has not been required for PFS contracting. This creates a situation of information asymmetry wherein one actor has a greater level of information than local jurisdictions. In the case of PFS, states and the federal government have a greater level of information regarding the legality of PFS than local jurisdictions. This failure in these federalist systems leads to misinformed decisions making. My interviews and participant observations indicate that some actors in communities considering PFS believed adopting PFS required other legislative efforts when, indeed, this was not always the case. One interview participant on the east coast suggested that if the federal government addressed the misperception that policy change has to be put in place greater diffusion would be facilitated. This is illustrated by her statement:

> I think there are two pieces of work that they [the federal government] have not done well. One is sort of clarifying which federal dollars that originate in the federal government but flow through to states and counties and cities have the flexibility to go into Pay for Success contracts . . . I think that's an area that could be worked on which is [for the federal government] to say it doesn't require new legislation to say [communities] can use, [as an example] TANF dollars for Pay for Success. [IP AP]

Interview and participant observation data demonstrate that this is part of a broader frustration with a lack of clear information, which has hindered the process of diffusion and adoption in some jurisdictions. One interviewee from a western state shared his frustration with the lack of clear information available for decision makers when it came to PFS:

> So definitely [with] the early projects health plans would tell us, “Hey we love this idea, but you know we need written, clear direction and approval from the state Medicaid agency.” And then we [would] go to the state Medicaid agency and they would say, “Hey we love this. This is great, but we need clear written approval from federal CMS.” And then we go to CMS and they would say, “We don't need to provide this approval. States can already do this and they just need

> to submit a proposal and we'll approve it." And so it's a lot of like back and forth like that that's been kind of frustrating over the past few years. [IP T]

As this section indicates, states with *enabling legislation efforts* have diffused PFS projects at a higher rate than those without such efforts. For some actors who worked to get legislation passed, the process was confusing, frustrating and time consuming. Further, there appears to be some inconsistency in terms of perceptions regarding the necessity for legislation and the adoption of PFS. It could be the case that PFS enabling legislation *is* necessary in some instances and not in others. Finally, information asymmetry may be a barrier preventing higher rates of diffusion.

Internal Determinants: Social Pressure

Issues faced by a jurisdiction can influence the diffusion of a policy innovation by motivating a jurisdiction to address the issue through new policies or programs (Cairney, 2011, p. 183). Further, the severity of a political, economic or social problem facing a jurisdiction has been proposed to be a factor enabling innovation (Allard, 2004; Mintrom & Vergari, 1998; Stream, 1999). For instance, a mayor may decide to address a social issue when it becomes a political issue written about by the press or used as fodder by political rivals. This section discusses the relationship between social issues and PFS diffusion.

As Table 4.3 illustrated, 144 of the 146 projects had clearly defined issues motivating the projects; only two projects were concerned with testing the general feasibility of PFS (see Appendix D for a full list of associated issues). One interview participant [IP CR 171102] shared with me her perception that "[PFS] gained momentum around specific policy issues." Issues related to criminal justice, education, health, and homelessness were identified as most prevalent, as illustrated in Table 5.4.

Table 5.4 Distribution of PFS Projects by Issue Area

Issue Focus	
Abuse/Neglect	2.1%
Criminal Justice	19.9%
Education	18.5%
Environment	8.9%
Foster Care	1.4%
General	1.4%
Health	20.5%
Homelessness	19.2%
Incarcerated Parents	0.7%
Workforce	7.5%
	100.0%

During interviews and participant observation, when participants discussed a specific case, an issued-based motivation for the PFS project was often part of framing the discussion. When this was done on a stage at conferences there was often passion behind participants' statements. This was particularly the case when participants spoke about projects focused on children and youth. For example, one city council member of a large eastern city was observed speaking of his responsibility to ensure all children in his city have equal opportunities in life. He became very passionate when talking about early childhood experiences and his drive to institute PFS, stating that "[We are using] Pay for Success to eliminate the birth disparities in the City of [redacted]. Regardless of your [redacted] zip code, every child will have the same opportunity for a healthy birth." [PO GL WIS 190207] At the same conference, a mayor from a large southern city spoke about how disparities in early childhood education opportunities drove him to engage in PFS, asserting that "We haven't built a system that works for everyone. [We need to] invest in outcomes - investing in early learning is actually an investment in today. We can do this with Pay for Success" [PO AB WIS 190207] My findings indicate that projects

focused on children and youth, as illustrated in Table 5.5, made up the vast majority of PFS projects.

Table 5.5 Distribution of PFS Projects by Age Focus

Grouped Age Focus	
Adult (all)	39.7%
Community	.7%
Early Childhood	24.7%
Children & Youth	11.6%
Families (all)	3.4%
General	1.4%
Youth	18.5%
	100%

Service providers engaged in PFS efforts are the actors in communities closest to the issues as they are the organizations serving the impacted population. They are the PFS actors most often 'in the trenches' with communities' most vulnerable residents. All service provider participants, observed and interviewed, exhibited great interest in using PFS to address the social issue their organization works to alleviate. At a 2018 conference, one nonprofit executive director in a city in the west shared his views on how PFS can help drive resources towards the people his organization serves, stating that "When we think about homelessness and lack of affordable housing – take an outside perspective – we can end homelessness as we see it today if we invest in the research and target our resources in a way that is evidence-based." [PO MF WIS 180124] Another nonprofit employee I spoke with discussed how his organization's efforts to address issues with childhood asthma sparked not only their interest in PFS, but also a partnership with a local health care system. As he told me, "We had started looking at Pay for Success in [a large eastern city] with [a health care system] to address asthma." [IP TVA 190402]

Table 4.3 illustrated that 57 of the 146 projects were motivated by multiple issues. Homelessness was the most common case, with 22 of the 28 projects seeking to address at least one additional issue. This is not surprising, given that homelessness is a multifaceted issue. When a person is experiencing homelessness they often simultaneously face physical health and mental health issues (Cox, 2011; Crossgrove Fry, 2016; Culhane, 2008). As another example, people who have recently been released from prison have difficulty securing work (Tripodi, Kim, & Bender, 2010). Without a job, formerly incarcerated individuals are more likely to recidivate (Fontaine & Biess, 2012; McNiel, Binder, & Robinson, 2005; Tripodi et al., 2010). These compounded problems often impact the severity of a social issue, which can influence policy responses (Allard, 2004; Mintrom & Vergari, 1998; Stream, 1999).

In the case of this study, the severity of an issue has been indicated to influence PFS diffusion. One interviewee who worked in the mayor's office of a large eastern city explained to me the issue that resulted in PFS diffusing to her jurisdiction. She explained to me that young African American men were grossly overrepresented in the criminal justice system in her city. After they entered the system, it seemed nearly impossible to keep them out of juvenile detention or jail. She explained to me the severe long-term consequences and then stated simply that PFS was attractive because "We wanted to improve the lives of young men of color." [IP KMG 170628]

The above examples of projects where participants identified the motivating issues for their community are representative of what I observed participants speaking about and what participants shared with me during their interviews. Throughout data collection it became clear to me just how enticing PFS was due to its potential to help

communities address some of their biggest issues. Communities felt constrained in their ability to address the issues with their current resources. Although PFS addressed a number of issues, the population the projects targeted can be broken into two categories, adults and youth. PFS projects geared toward adults often focused on populations that tend to be politically hard to direct resources to (i.e., people experiencing homelessness, people in the criminal justice system, etc.) due to their placement in society's social structure, a finding that supports prior literature on social construction theory (Cronley, 2010; Ingram, Schneider, & DeLeon, 2007; Malone, 1995). However, PFS projects focused on youth were able to positively frame PFS by focusing on the innovation's ability to help a population often favored by policy makers (Cronley, 2010; Ingram et al., 2007; Malone, 1995). In both instances, the *need to address social issues* catalyzed diffusion of PFS as the innovation provided promise of access to the capital, but without the economic and, therefore, political risk associated with traditional revenue generating instruments, like raising taxes.

Internal Determinants: Economic Constraints

A third internal determinant that was found to influence the process of diffusion of PFS were economic constraints. Economic factors within a community impacts its ability to address large scale social issues. When faced with such a challenge, jurisdictions are more likely to innovate in order to alleviate the community's economic burden (F. S. Berry & Berry, 2014). This common theme of 'economic constraints' on a community was revealed through coding interview and participant observation transcripts. Comments tended to fall into two categories: budget constraints and risk aversion.

Budget constraints were most often discussed by interviewees when I asked them to identify reasons regarding the timing of considering PFS in a jurisdiction. As one government employee from an east coast jurisdiction pointed out, PFS was very attractive to governments seeking new revenue streams. She stated,

> We spent a lot of time thinking about [Pay for Success], looking at it, and seeing if it was something we could do in [our city]. [The deputy mayor] thought it was a really interesting model because during that period we were in tight budget times so that anything that we could do to think of innovative funding mechanisms to fund some of the key initiatives we wanted to do was of interest." [IP KMG 170628]

One federal employee shared her perception of the budgetary issue local jurisdictions were facing when PFS first came to the U.S. in 2012:

> We had just come off sort of a spending spree with the Recovery Act and the stimulus where the federal government was pumping hundreds of billions of dollars out to states to try to stimulate the economy. And then suddenly that money, that special funding flow, was being cut off, and the belt was tightening, and people were saying, "Oh my God."

With the 2008-2009 recession still fresh on their minds the interviewee inferred it was possible jurisdictions were concerned that their budgets would again be less than required to provide needed social services within their communities.

Many nonprofit service providers interviewed and observed asserted the need for more capital to scale up current programs. As one nonprofit employee said, PFS is attractive because "sometimes you're just trying to overcome fiscal availability." [PO BB 190206] Many respondents also mentioned that PFS provided a guaranteed revenue stream for projects for a set period of time. "We thought Pay for Success would lead to a sustainable financing structure for the [organization] to continue its services," explained one interviewee. [IP EJ] Finally, nonprofit participants appreciated PFS's ability to focus funding on projects with clear outcomes. As one stated, PFS allowed them to "put [our]

money in the most impactful areas of the organization's work."[PO SM 180124] An employee in the governor's office in a western state agreed, telling me that "PFS is a vehicle for funding needed interventions that are evidence-based." [PO RL 190206] In the case of these interviewees, the *need for capital* catalyzed PFS diffusion.

Another common theme taken from interviewees and participant observation was regarding the government sector's tendency to be economically risk adverse. Sentiment regarding this perception was more acute when it came to implementing new policies or programs that required funding. One interviewee, a government employee who was formerly in the financial sector, articulated the attraction of PFS from her perspective: "In theory you get private investors to take a risk, with less risk to government." [IP GA 171018] One NGO service provider who worked closely with government officials to enact PFS legislation stated her perspective of her state's interest in PFS when she told me that "The combination of private investment to scale social services appealed to conservative leaders in our state at a time when our students' reading growth had stagnated." [IP AW] Or, as one interviewee from the west coast stated, PFS is attractive to jurisdictions because "the promise of access to capital" comes without the normal financial or political risks. [IP LS 190305] In the case of these interviewees *reduced political and economic risk* catalyzed PFS diffusion.

Analysis of my findings provide details on the internal factors influencing PFS diffusion in the U.S. While uncertainty regarding the necessity for enabling legislation could be hindering PFS diffusion, social issues and economic constraints create conditions under which jurisdictions are more likely to innovate and, thus, be more likely

to catalyze PFS diffusion. As described in the next section, factors outside a jurisdiction can also influence PFS diffusion.

External Determinants

External determinants including punctuating events, normative pressure, imitation, competition, coercion and policy learning can also play a role in influencing diffusion of a policy innovation (F. S. Berry & Berry, 2014; Boushey, 2012; Shipan & Volden, 2008). Through my coding the PFS dataset, as well as interviews, and participant observation transcripts, three specific determinants were found to be factors external to a jurisdiction that influence PFS diffusion in the U.S: coercion, policy learning, and imitation. Although I intended on coding for punctuating events, normative pressure, and competition they were not detected to be factors influencing PFS diffusion.

External Determinants: Coercive Determinants

Coercion can be utilized by actors to impose their preferred policy solution on another government (F. S. Berry & Berry, 2014; Graham, Shipan, & Volden, 2013). The Social Innovation Fund (SIF), created by the Edward M. Kennedy Serve America Act and managed by Corporation for National and Community Service (CNCS) and the Office of Social Innovation, was a tactic used by the federal government to encourage multi-sector partnerships, like PFS. As stated on CNCS's webpage "The Social Innovation Fund (SIF) positions the federal government as a catalyst for impact – in which evidence-based programs and interventions are used to enable social innovation across America" ("Social Innovation Fund," 2019). This type of funding structure can be considered coercion in that it clearly intends to use incentives (i.e., funding) to affect policy decisions of subnational jurisdictions (Shipan & Volden, 2012). When I asked

federal employees about the government's engagement with PFS, some were very upfront about their perception that there was intent to influence change at the local level by encouraging scaling of evidence-based interventions. For example, at a 2017 conference, one former White House employee shared his perception of why the Obama Administration supported PFS through allocating federal resources by stating that "We need to link our dollars to what works." [PO DW 170124] Another participant said that the federal government intentionally set up the PFS grant programs to provide a "vehicle for funding needed interventions that are evidence-based." [PO RL 190206]

Funding availability was facilitated by other key pieces of federal legislation, most introduced under the Obama Administration. This was all done after Obama Administration officials first learned of PFS directly from the Minister of Justice engaged with the Peterborough SIB. As one federal employee shared, "We did at least one conference call and heard the history of the Peterborough Prison Pay for Success project. And then we . . . looked at things that we could put into the President's 2012 budget that we thought would elevate the concept and try to make some money available." [IP KS]

Through the PFS dataset I tracked the seven key pieces of federal legislation associated with PFS. This legislation is outlined in Table 5.6. Appendix E provides greater specificity regarding each piece of legislation. Chronologically, the first five pieces of legislation were introduced under the Obama Administration. The last two pieces of legislation were subsequently introduced under the Trump Administration.

Table 5.6 Federal Legislation Supporting PFS

Legislation	Year	Issue Area	Lead Agency/Program
Edward M. Kennedy Serve America Act	2009 (updated 2012)	General	Corporation for National and Community Service
Second Chance Act	2008 (updated 2012)	Criminal Justice	Department of Justice
Workforce Innovation and Opportunity Act (WIOA)	2014	Workforce	Department of Labor
Every Student Succeeds Act	2015	Early Childhood Education and Care and Public Education	Department of Education
Fixing America's Surface Transportation (FAST) Act	2015	Housing	Housing and Urban Development
Social Impact Partnerships to Pay for Results Act (SIPPRA)	2018	General	Treasury
Bipartisan Budget Act of 2018	2018	Health	Health Resources and Services Administration

The multiple platforms for funding provided by the federal government did not emerge independently of one another. Rather, as a federal employee shared with me during an interview, the funding was structured in an intentional way to set clear expectations for grantees:

> So rather than wait for the Congress to act on the budget request we started a process where we worked with [federal agencies] on their grant solicitations on the notice of funding that they were putting out and figured out how to carve out some money for some initial Pay for Success pilots and construct those so that they essentially kind of sent a clear signal about what Pay for Success was and the high standards that applicants would have to meet. [IP KS 190326]

Participant observation and interviews revealed that actors outside of the federal government took notice of the federal government's efforts to influence PFS diffusion. One employee at a national nonprofit think tank reported:

> You did see the federal government sort of one create new mechanisms in which to promote and then literally resource Pay for Success planning efforts . . . they were also really looking for very intentional efforts by the Department of Labor,

> by the Department of Justice, and by HUD to embed Pay for Success into their regular grant making process. And so whether it was the specific solicitation . . . or whether it was extra points in existing solicitations [the federal government] encouraged people to examine the model. . . But [they were] doing it in a way where [they] hoped that it's enough that folks at the state and local level see that, get interested in it, and then apply [for the federal funds]. . . [G]iven the scale of it, it was certainly a very noticeable effort. [IP KW]

Research participants often mentioned these pieces of legislation when speaking about the role various levels of government have played in PFS diffusion. One philanthropic investor from the east coast who was engaged with PFS shared with me her thoughts on the catalyst role played by the SIF, "Part of what the Social Innovation Fund was trying to do was to really create room for new players to enter the field [of PFS]." [IP KD 171613] A nonprofit employee with a national firm explained:

> So, I would say for most of [the projects] the engagement around Pay for Success, it had to be this very reactive way. The federal government, they were putting things out into the world hoping to get a reaction from the state and local level. [IP KW 190326]

Many of my research participants confirm that federal support influenced their community to engage with PFS. For instance, one government employee, who also provided social services, explained to me how federal funding influenced her jurisdiction to innovate, "The Notice of Funding Opportunity was from Department of Justice and they were looking at a specific target population – people who were hitting the public safety and homeless." [IP G 190311] These issues were areas of concern in the interviewee's jurisdiction and thus the NOFA released by DOJ facilitated her jurisdiction's desire to innovate and engage in PFS.

Some participants were very adamant that the federal government distributes money based on what they wanted to see happen. One respondent used the example of

the Low-Income Housing Tax Credit (LIHTC) program as a way to illustrate how the federal government influences subnational policy action:

> [LIHTC is the] largest funding for affordable multi-family housing in the U.S. . . . it's an amazing example of how to take a federal funding source and use it to fund an incredible diversity of projects on the ground through a network of partners. [IP IG 180523]

The same participant suggested the federal government's intent to influence local-level actions was similar through its distribution of funding to support PFS. Another participant was observed asserting that "The Obama administration has provided support for Pay for Success and financially supported its [diffusion] across the U.S." [PO JG 170125] Next, I further examine the relationship between federal funding and PFS diffusion.

My findings revealed that of the 146 PFS projects in the U.S., 123 were either grantees or sub grantees of federal funding spurred by the aforementioned pieces of legislation, while 23 of the projects did not receive federal support. Of the federal funding recipients, 19 projects received federal funding twice and one project received support (financial or technical assistance) three times. The distribution of this support can be seen in Table 5.7 and is grouped by funding received by individual projects. As illustrated, two projects received funding from multiple agencies.

Table 5.7 Federal Government Project Support

Sources of Federal Support		Number of Projects Supported
Agency	**Program**	
Corporation for National and Community Service	Social Innovation Fund	101
U.S. Department of Education	Pay for Success Initiative	12
U.S. Department of Labor	Workforce Innovation and Opportunity Act	2
U.S. Department of Housing and Urban Development's	Pay for Success Permanent Supportive Housing Demonstration	6
Corporation for National and Community Service	Social Innovation Fund	
U.S. Department of Housing and Urban Development	Pay for Success Permanent Supportive Housing Demonstration	1
Corporation for National and Community Service	Social Innovation Fund	
U.S. Department of Education	Pay for Success Initiative	1
	Total	**123**

Of the 123 projects that received federal support, 83.7% received SIF support, 10.6% received Department of Education funding, 6% received Housing and Urban Development support, and 2% received support from Department of Labor's WIOA program.

Examining the relationship between whether or not a project was funded and the year that a project entered into feasibility helps to inform the diffusion rates previously

illustrated in Figure 5.2. Figure 5.6 shows a relationship between funding and project-level diffusion year; when federal funding was released, the diffusion rate of PFS went up. When the federal funded ended, diffusion nearly ceased.

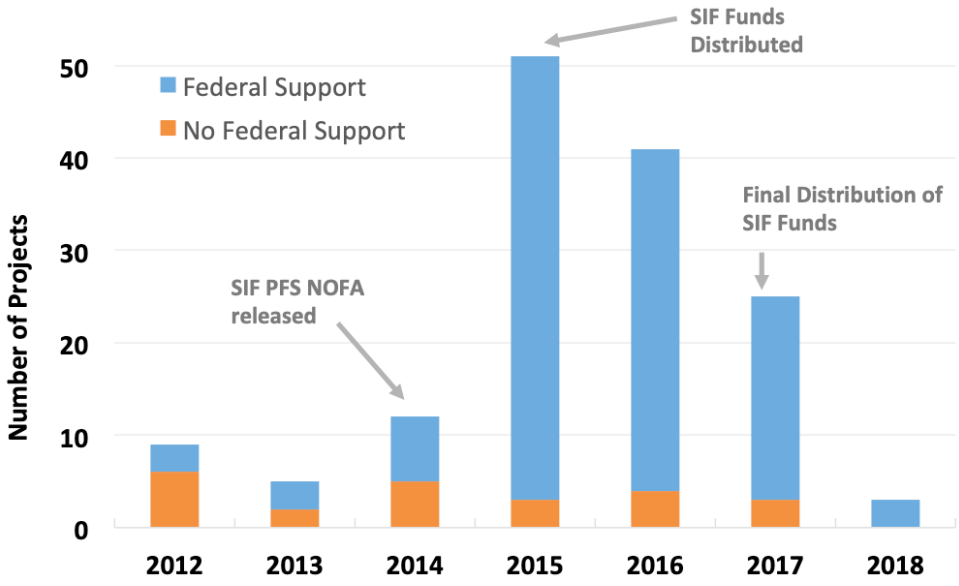

Figure 5.6 Number of Projects by Diffusion Year and Federal Funding

Although the SIF was instituted in 2009, the NOFA for SIF funding for PFS was not released until 2014. Distribution of SIF funds began in 2015. The last distribution of SIF funds was in 2017. [6] I now examine how the funding was distributed.

Over the course of the study, the federal government distributed funding to 25 different grantees. Table 5.8 presents federal funding distribution by funding agency, direct awardee, and number of unique PFS projects supported through the distributed

[6] It is important to note that the federal government was not the only source of funding to stimulate PFS projects. Organizations like the Robert Wood Johnson Foundation and the John and Laura Arnold Foundation supported PFS through either directly funding projects or providing funds to intermediaries for their work facilitating PFS engagement.

funding. The table indicates organizations that served as intermediaries and, thus, were the conduit between federal funding and projects.

Table 5.8 Distribution of Federal Grants by Agency and Recipient

	CNCS	DoEd	HUD	DoL	# Grants Received
American Institutes for Research+		1	1		2
Clatsop County, Oregon		1			1
Corporation for Supportive Housing+	8		1		9
Cuyahoga County Office of Early Childhood		1			1
Ending Community Homelessness Coalition			1		1
Green and Healthy Homes Initiative+	11				11
Harvard Kennedy School Government Performance Lab+	11				11
Institute for Child Success+	10				10
Jobs for the Future		4			4
Legacy Charter School		1			1
Local Initiatives Support Coalition+	3				3
Massachusetts Executive Office of Labor and Workforce Development				1	1
Mecklenburg County Government		1			1
Minnesota Department of Education		1			1
Napa Valley Unified School District		1			1
National Council on Crime and Delinquency+	4				4
New York Department of Labor				1	1
Nonprofit Finance Fund+	20				20
Rhode Island Coalition for the Homeless			1		1
Santa Clara County Office of Education		1			1
Social Finance+	9	4			13
Sorenson Impact Center+	28		1		29
Third Sector Capital Partners+	13		1		14
United Way of Anchorage			1		1
Ventura County Office of Education		1			1
+ Intermediaries **Grants Distributed**	**117**	**17**	**7**	**2**	**143**

As illustrated, in most cases federal funding was not distributed directly to projects, rather it was done through intermediaries who subsequently selected PFS projects, or sub grantees, to fund and/or provide technical assistance to. Of the 25 unique organizations

receiving federal grants, 11 were intermediaries who distributed funding 126 of the 143 times projects received federal support. Figure 5.7 shows the relationship between grant funder, intermediaries, and direct grant recipient. The thicker the line, the more PFS projects that were supported.

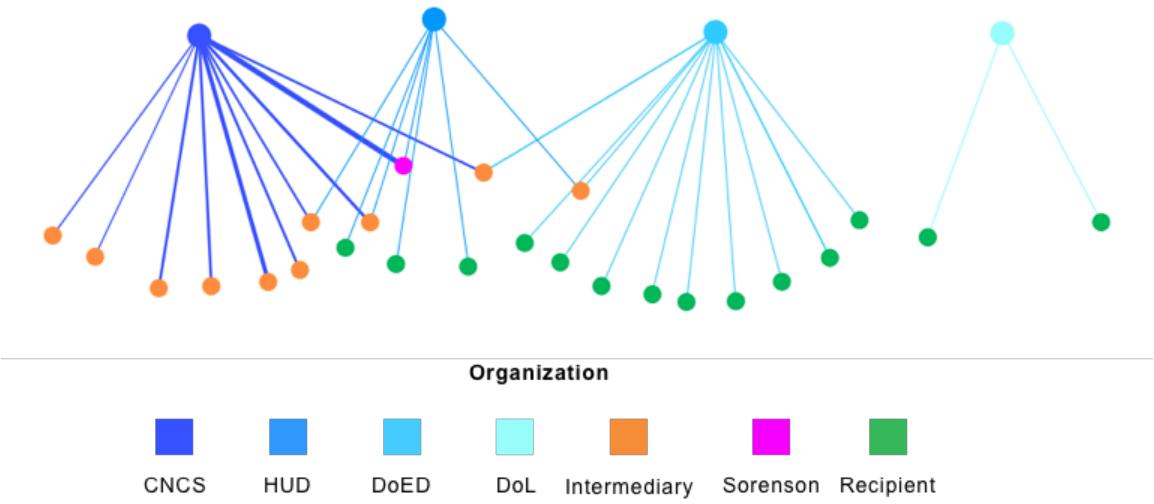

Figure 5.7 Distribution Network of Federal Grants by Agency and Frequency

Figure 5.7 begins to tell the story of the power dynamics of PFS diffusion. The SIF itself supported more projects than any of the other federal funding agencies. This support was conducted entirely through the engagement of fiscal intermediaries. The Sorenson Impact Center (Sorenson), highlighted in Figure 5.7, supported the greatest number of projects through SIF funding, at 28. DoL, HUD, and DoEd almost always provided direct funding for projects.

So why didn't the federal government directly support projects more often? Respondents tended to believe the intermediaries were intentionally included in the funding distribution process to better facilitate PFS engagement. Federal employees recognized the government's limited ability to completely control the environment of

subnational jurisdictions. One federal employee articulated her perception of the limitations of the federal government's influence, asserting that "The federal level can create the enabling conditions, but [we] have no capacity to make it happen." [IP KS] One of the ways federal agencies did try and 'make' PFS happen, the interviewee noted, was through granting PFS funds to intermediaries who were able to work directly with communities to facilitate their engagement with PFS. In one discussion, a participant was observed using the metaphor of a football team to explain to an audience at a conference that the "[Office of Management and Budget] is the quarterback for evidence-based evaluation and spending." [PO RH 170126] It seems the quarterback's best receiver, however, was not individual jurisdictions, rather it was intermediaries.

These findings indicate PFS diffusion is most often facilitated within a network that was constructed with the support of the federal government. The intermediaries, according to Provan and Kenis (2008), are the lead organizations within these "structured" networks who have been selected by the federal agencies to be the actor responsible for developing, managing, and coordinating PFS efforts. A number of scholars (i.e., Agranoff & McGuire, 2001; Bardach, 2012; Meier & O'Toole Jr, 2002; Milward & Provan, 2000) have indicated such managed networks are associated with successful collaboration efforts focused on a policy issue area.

Next, I consider two additional factors external to a jurisdiction that influenced PFS diffusion.

External Determinants: Policy Learning

As mentioned in Chapter 3, diffusion is influenced through policy learning by interacting with people outside an actor's jurisdiction (Rogers, 2003). Policy learning can

occur face to face at conferences or networking events. Policy learning can also happen through more passive interactions such as through a webinar which provides greater opportunity for learning for those jurisdictions not able to attend conferences or networking events due to budget constraints or lack of other network connections. Policy learning was detected through analysis of the PFS dataset and the data collected during participant observation and interviews.

Opportunities for policy learning happened soon after PFS diffused to the U.S. Interviews and participant observation detected five main sources facilitating this learning: the Sorenson Impact Center, the White House Office of Social Innovation, the Green and Healthy Homes Initiative, the Urban Institute, and the National League of Cities. When participants were asked how they first learned about PFS it was often through events, both webinars and conferences, hosted by one of these organizations. One person I interviewed from an east coast community shared that she attended one of the Winter Innovation Summit conferences hosted by Sorenson where she spoke with another community who had launched a project. As she relayed to me, "I sat down with [the] county and saw their data and I became more of a champion for the policy."

As both a practitioner and researcher I have attended the Sorenson Impact Center's Winter Innovation Summit for the last four years. I've also attended one White House hosted event and three other PFS related panel discussions. In addition, I've participated in five PFS-related webinars. These events were set up well for policy learning and networking. For instance, each Winter Innovation Summit includes a day of skiing where summit participants are encouraged to network with fellow attendees. The event hosted by the White House was more exclusive, with the administration carefully

curating attendees in order to best facilitate partnership development. Some of the webinars, like those hosted by the National League of Cities, focused specifically on teaching attendees about the intricacies of PFS and connecting attendees with one another as well as webinar presenters. One such webinar, "Pay for Success Financing Efforts & Cities: The Concept, Key Considerations and What It Takes to Be Successful," focused on the steps cities could take to explore PFS financing. The presenters were all from financial intermediary organizations. The 90 attendees at this event, from jurisdictions across the U.S., were able to interact directly with one another and the presenters through asking questions via the webinar platform. Such an instance of policy learning provides for a high amount of networking at a very low cost. Thus, it allows jurisdictions who may be restricted in their ability to attend costlier conferences the opportunity to learn from peers and PFS experts. Through my participation I have noted the increase in attendance at such policy learning events since my initial engagement. For instance, although the first year of the Summit was rather small (~50 attendees), in 2019 it hosted 927 policy makers, funders, nonprofits and public sector attendees. My observations indicate that interest in PFS has not waivered, despite the aforementioned decrease in the rate of diffusion. This provides further indication of the influence federal funding has had on diffusion.

In addition to events such as the above described webinars and conferences, policy learning occurred in formal educational settings. Some participants heard about PFS while in graduate school and then pursued a job in the field. As one participant [IP EJ 190317] shared "I attended Harvard's non-profit executive management training and the person involved in the UK's first social impact bond was in our course." Some actors

first learned about PFS directly from peers or intermediaries. As one interviewee shared, "I first heard about Pay for Success when [a neighboring county] and [an intermediary] reached out to me in 2015 or 2016." [IP G] This section described how learning about PFS through *direct* communication influences jurisdictions to innovate. The next section examines how jurisdictions can be motivated by *indirectly* learning about another jurisdictions adoption of a policy innovation.

External Determinants: Imitation

Imitation occurs when a jurisdiction aspires to be like another jurisdiction and, therefore, imitates the policies it has put in place (Shipan & Volden, 2012). Participants interviewed shared their perceptions of the influence jurisdictions had on PFS diffusion to peers. One interviewee shared her observation regarding jurisdictions emulating other jurisdictions' engagement in PFS. Using the metaphor of a train leaving the station she described the "momentum" that PFS diffusion created by states building off the peer states who first engaged in PFS. [IP NPFF DF] Another participant, who was part of the first PFS project in New York City, mentioned how often other jurisdictions reached out to the city to learn about New York's project. She pointed out how some of the partners on the project had been "on a road show" speaking about their PFS experience to other cities. [KMG] However, she did share that their PFS efforts didn't always resonate with other jurisdictions. "It's funny because everyone would say, 'You're New York, you're different.'" At the time right after the PFS launched she didn't agree, but her perception has changed, "I've realized it a lot more now. New York is very different. We have so many resources already. . . We didn't need federal funding . . . but smaller jurisdictions probably really need it because they don't have the infrastructure to do [PFS] without it."

Level of government is also an important variable to consider when investigating how imitation influences the process of PFS diffusion. Referring back to the National League of Cities webinars, a 2017 webinar included a panel of representatives from cities that had engaged in PFS. Such a webinar drew together actors from a specific level of government, cities. In this case, without a peer jurisdiction to emulate, imitation cannot occur, and learning from peers is limited. The PFS data was examined to determine the diffusion of PFS to various levels of government. Table 5.9 compares the diffusion year to the level of government of a project.

Table 5.9 PFS Projects by Development Year and Level of Government

	Diffusion Year							
Level of Government	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
City	4		2	10	11	5	3	35
County	4	4	6	26	17	13		70
Region				2	2	1		5
State	1	1	4	11	10	6		33
Nationwide				2	1			3
Total	**8**	**5**	**12**	**51**	**41**	**25**	**3**	**146**

County level projects are the most prevalent, followed by city level and state level projects. Very few regional projects have launched. My research indicates PFS actors noticed this trend. As one participant was observed saying, “PFS happens on the local level. This is where action is happening and where change is happening.” [PO AP 170125] The next section in this chapter focuses on the perceptions of actors engaged in PFS to discuss factors associated with successful PFS diffusion.

Factors Associated with PFS Success

The perception of actors engaged in PFS were utilized to answer the question, *What factors lead to successful diffusion of PFS?* This section first examines the factors respondents associated with successful PFS diffusion.

Conditions Necessary for PFS Diffusion

Throughout data collection, research participants spoke about the conditions they associated with successful PFS engagement. By far the most common sentiment was regarding relationships among the entire project team, between individual team members, and with the greater PFS network in the U.S.

Team Cohesion

The importance of a cohesive team of partners committed to bringing a PFS project to a community emerged as one common theme from my qualitative data collection. One federal employee described to me the importance of building relationships in order for a community to engage in PFS, "To some extent, Pay for Success became a reality because you had innovative, strong local leaders who were frustrated by government silos and willing to risk and build new kinds of relationships in and outside of government." [IP KS 190326] Such leaders worked together to build teams to engaged in PFS. These cohesive teams tended to have a culture that allowed all members to contribute to the effort of PFS diffusion. As one west coast nonprofit employee explained, "So much of the value came from getting all of the stakeholders around the table – it wasn't just government that was asking the question, 'How can we do this better?', [it was everyone]." [IP LS 190305] Another government employee mentioned her perception on how to build a cohesive team, "In government it is helpful to be inclusive and try to get people to buy in. That is how to create a team that is high performing." [IP KV 190314]

While cohesive teams were found to be important in the successful adoption of PFS, it was also important that teams be able to determine the best representative for

certain messages in order to ensure this success. For instance, when trying to get a community's buy in for a PFS project, one city recognized the need to depoliticize the issue. One representative from the mayor's office shared their strategy to engage the department of corrections in their efforts as, "it wouldn't have worked coming from within the mayor's office." [IP KMG]

Building Trust

Trust was often brought up by research participants as a condition required for a community's engagement in PFS. As one member of the team that launched one of the first PFS projects stated, "Our [Pay for Success] project improved partnerships between the city and the state. . . it wouldn't have happened without the trust between the project partners." [PO YD] An interview participant mentioned that it was the trust built through "all sectors work[ing] really closely and tightly together" that allowed them to launch their PFS project. [IP KD]

In some cases, certain individual members of the project team were not part of the community, rather they were part of an organization located in another jurisdiction. This often required a certain period of building trust, particularly if the actor was representing a fiscal intermediary. One member of an intermediary organization who has worked on a number of projects across the country explained the process:

> It's a long process of building trust. And the projects that are most successful we connect with a person who is trusted within the community. . . Whether it's the government or the service provider community or ideally both. . . [They] vouch for us and our role. I would say that it's a long trust building process. I mean it's a bit different orientation than coming in and saying, "We're policy experts and we're going to give you a slide deck and sort of this like quasi consulting model." . . . What we really try to do is to build trust and to be trusted advisers. And to then prepare recommendations for the decision makers to consider and to move forward [with PFS]. [IP CR]

As mentioned earlier, another intermediary, GHHI, also had relationships with people working in a jurisdiction who helped the organization build additional partnerships within the jurisdiction. The policy learning events, mentioned above, served as a venue for building trust.

Prior Personal Relationships

Prior personal relationships were important in many projects and seemed to help strengthen a project team. In some cases, private sector partners had once worked in government. One government employee [IP KD] reported that the project's investment partner had previously worked in the mayor's office, and they stated that "The key person at [the investment firm] previously worked in city government and knew many of the people involved." In other projects, people who had once been in the private sector had transitioned to a government position. In one case the actor was working in the governor's office. She explained her ability to be able to be the liaison between the two sectors since she was a trusted member of both groups. [IP GA]

Such prior personal relationships were thickly woven into the narratives of individuals engaged at the very beginning stages of PFS in the U.S. As one interview participant said to me,

> I mean this gets down to personality from front end relationships like with [a former federal employee] who had just left [our federal agency] and had very good working relationships with me and [the appointed agency head]. He stumbled on this [PFS] idea and figured he'd write a paper and reach back to us to see if there was any kind of collaboration we could do. So, if he hadn't written that paper and had those conversations with us Pay for Success never would have happened. Or it would have been a much slower process. And I don't know that it ever would have taken off. It's amazing how things like that happen. There's a personal story behind everything' there really is. [IP KS]

Such prior relationships between PFS actors engaged in a project also helped build out a network of PFS actors, described in more detail below.

The PFS Network

The literature indicates networks made up of organizations from multiple sectors working to jointly implement public policy have similar characteristics to those I found to be associated with PFS diffusion, including trust (Agranoff & McGuire, 2001). An interviewee explained her perception of the importance of such networks in the PFS sector:

> It's not just one person, it has been more of a systemic effort. . . The catalyst behind Pay for Success in the U.S. was really a collective effort. The people that were interested in Pay for Success collaborated a bunch at the beginning, even if they were constructing projects in different jurisdictions. [IP HKS]

These PFS networks were often spurred by the federal government through funding fiscal intermediaries who were incentivized to engage the network in PFS diffusion. As the interviewee above infers, there were individuals driving projects in each jurisdiction to which PFS had diffused. These networks were also built through actors' engagement in the policy learning opportunities mentioned above. For instance, events hosted by the Sorenson Impact Center included specific 'networking' breakout sessions.

In summary, the results presented in this section indicate PFS diffusion across the U.S. was incremental until 2015 and has remained flat since 2017. The internal factors most associated with catalyzing PFS diffusion include enabling legislation, social issues, and economic constraints. External factors most associated with catalyzing a diffusion include availability of funding and instances of policy learning and imitation. The federal funding supporting PFS has been linked to 123 of the 146 PFS projects and it coincides with PFS diffusion rates indicating its profound impact on catalyzing PFS diffusion. The next section more specifically examines the organizational and individual actors engaged in PFS diffusion.

Actors Engaged in PFS Diffusion

The previous section focused on understanding how and why PFS has diffused across the U.S. This section examines the actors associated with the diffusion and their perceptions related to PFS diffusion. I utilize data from the PFS dataset, interviews and participant observation to first answer the question, *What actors have been engaged in the diffusion of PFS in the U.S.?* I first present results related to organizational level actors.

To examine *what sectors* the actors involved in the diffusion of PFS represent I analyzed the qualitative data and data from interviews and participant observation. For all 146 projects in the dataset I tracked the organizational-level actors engaged with a project. The main actors for projects were coded into one of five organizational roles: government, service provider, intermediary, evaluator, or investor.

In my analysis I found that launched projects had all of these actors. Projects between feasibility and launch had at least one of these actors associated with the project. Individual actors were interviewed and observed to provide greater detail regarding engagement of specific people influencing diffusion. The data indicates common roles of the actors, and their associated sectors, as described below:

> **Government Agency:** With the input of community stakeholders, this actor generally had the role of determining the target population and issue to address and defining the desired outcomes. If the project went into contract, a government agency was typically the party responsible for paying back the investors (if outcomes are achieved). These entities were most often state agencies, divisions within a city, or a school district.

Intermediary: Intermediary roles varied depending on the PFS project development phase. Most often intermediaries provided either fiscal or knowledge support to a project. During feasibility, fiscal intermediaries were brokers of the federal funding distribution to grant sub recipients. In addition to funding, these intermediaries provided technical assistance (knowledge) to projects. This included developing feasibility studies, financial modeling, or intervention design. When a PFS project were in a contracting phase, intermediaries often served as the transaction coordinator between the government agency, any investors and service providers. Intermediaries were typically a nonprofit organization or part of an academic institution.

Private or Philanthropic Investor(s): The role of investors was to provide upfront funding to support the service providers' intervention. If project outcomes are achieved, the investors are repaid by the government (or another payor). Investors typically did not get engaged in a project until a feasibility study was completed. In a few cases investors were part of the initial discussions with decision makers. An investor was from either the private sector, such as traditional investment firms, or they were from the nonprofit sector, as was the case with philanthropic investors from foundations.

Service Provider(s): PFS projects engaged an organization, or service provider, to implement the community's selected evidence-based intervention. In some cases, communities had multiple service providers. These organizations were typically engaged during feasibility. Service providers were often nonprofit organizations already in operation in a community.

Independent Third-party Evaluator: To verify the extent to which agreed-upon outcomes are achieved in a PFS project, an evaluator was generally part of the PFS contract. The evaluator's role included determining if the outcomes achieved should trigger success payments. This actor was typically a nonprofit, private sector consulting firm, or an academic institution.

The actors most engaged in diffusion of PFS included government agencies (120 projects), intermediaries (126 projects), and service providers (112 projects). On some occasions, investors (30 projects) and evaluators (9 projects) were engaged at the time of diffusion. The following section delves more into the role of organizational actors engaged directly with PFS diffusion and discusses the geographical representation of the actors.

Government Agencies

Multiple levels of governmental jurisdictions have engaged in PFS, as outlined in Figure 5.8. The actors fall into five geographic scopes: city, county, region, state and national.

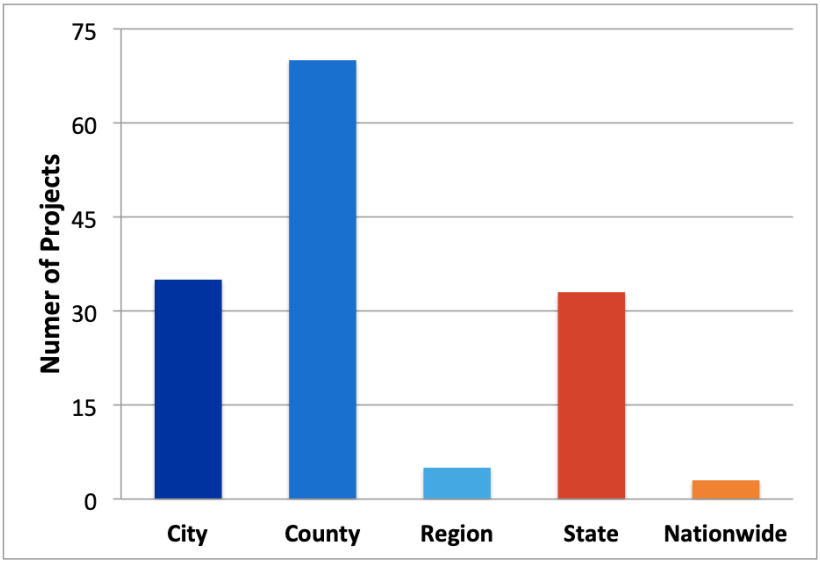

Figure 5.8 Jurisdictional Level and PFS Projects

Most PFS projects, regardless of level of government, size of jurisdiction, or issue area, had a clearly identified government partner. This aligns with the literature; government actors have been found to have high levels of influence on what policies are considered by a community (Liu et al., 2010). In some cases, the government partner was a state agency (i.e., department of education, department of corrections, etc.), in other cases it was the mayor's office or governor's office. Interview participants pointed to the importance of the role of government for PFS projects. Many people specifically called out an individual in the jurisdiction who not only led the government's engagement but also championed PFS across the community. A common response when asked what helped PFS projects move forward included some iteration of the following, as shared by an intermediary, "So I think the number one thing that we've noticed is that there is a government champion." [IP NFF] Another participant outside of government, who worked directly with PFS projects, also brought up the importance of a government champion, "So . . . it was really all up to people, specifically local government champions, at the city level or the state level to take [PFS] further. And you ended up finding places that had the capacity to embark on that exploration." [IP KW] Another mentioned that for a project to move forward, it needed to "be spearheaded [by government] to succeed locally." [IP KMG]

Governmental actors could also act to impede or slow the adoption of PFS. One service provider described her experience being the lead for a PFS project with a reluctant government partner:

> Part of what we believe this work to be about is changing the way the government procures for services. And it's a really interesting challenge because you're talking to folks that aren't necessarily in line with the procurement process but they're trying to have the overall strategic aim of investing well into services. . . In many

> states the governmental agency is the one driving the boat and I feel like we were constantly educating and trying to ensure that the state [agency] was coming along with us and that they had enough information. . . It wasn't unwillingness to be a partner, I would say it was their unwillingness to drive the process. [IP AW]

Ultimately the state in question passed PFS legislation to support the project, but without a government champion, the project never was launched. The lack of engagement of government partners stymied other projects and created, as one interviewee shared, "a big hurdle" for service providers who wanted to facilitate launching a project. [IP KW]

Politics also created a hurdle in regard to government engagement. One interviewee expressed his thoughts on this, sharing with me that:

> I feel like on some level one of the reasons that government officials are hesitant, if not outright hostile, to Pay for Success is that in some cases, not all but in some cases it is better political optics to open a shelter and do the ribbon cutting than it is to commit to pay for reductions in homelessness five years from now. And as long as that's the case the politics are not necessarily on your side.

Ultimately, actors engaged in PFS projects must work to ensure governmental actors are engaged and onboard with PFS in order to advance the policy innovation's diffusion into a community.

Intermediaries

My findings revealed that the vast majority of PFS projects (123 out of 146) had a relationship with an intermediary who was funded by the federal government. These intermediaries had different methodologies for engaging with communities to support PFS projects. However, all of them released calls for proposals to select sub recipients, supported some type of feasibility study, and provided some level of technical assistance. Intermediaries cultivated funding applicants through webinars, speaking about PFS at conferences, and connecting through colleagues. Figure 5.9 maps the geographic scope,

at the state level, of intermediary actors. California, New York, Massachusetts, Maryland and D.C. have multiple intermediaries active within each state.

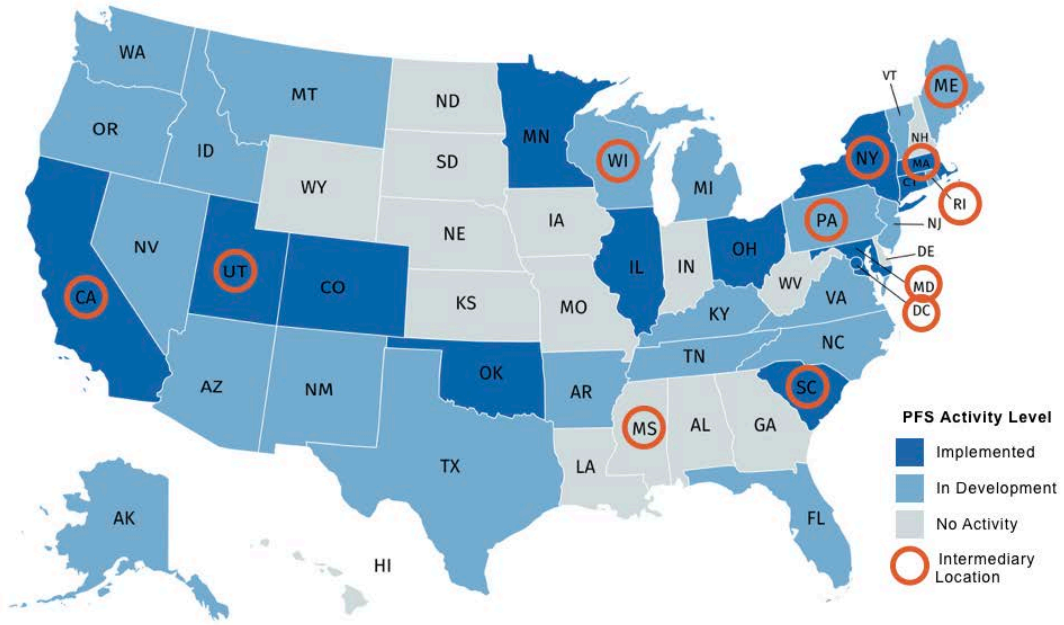

Figure 5.9 PFS Projects and Financial Intermediary Locations

Although most intermediaries did not overtly have a region of focus, one intermediary organization, for their first round of funding distribution, purposefully engaged communities between the coasts. As they stated, “I think that really our sort of secret sauce has been being able to work with communities who, just to be totally frank, are oftentimes ignored or seen as flyovers by elite coastal institutions.” [IP CR 171102] This intermediary’s original SIF grant distribution served urban and rural communities west of the Mississippi. Their second round of funding was opened up to the rest of the county.

My analysis revealed that some intermediaries, like the Sorenson Impact Center and Third Sector Capital Partners, were issue agnostic. Other intermediaries, however, had an issue focus. For instance, the Green and Healthy Homes Initiative focused on childhood asthma and the Corporation for Supportive Housing focused on homelessness.

To examine the influence of intermediaries and the power dynamics between the federal government and other PFS actors, a network analysis was created from the PFS dataset. Figure 5.10 depicts the resulting network of funders, recipients, and sub recipients.

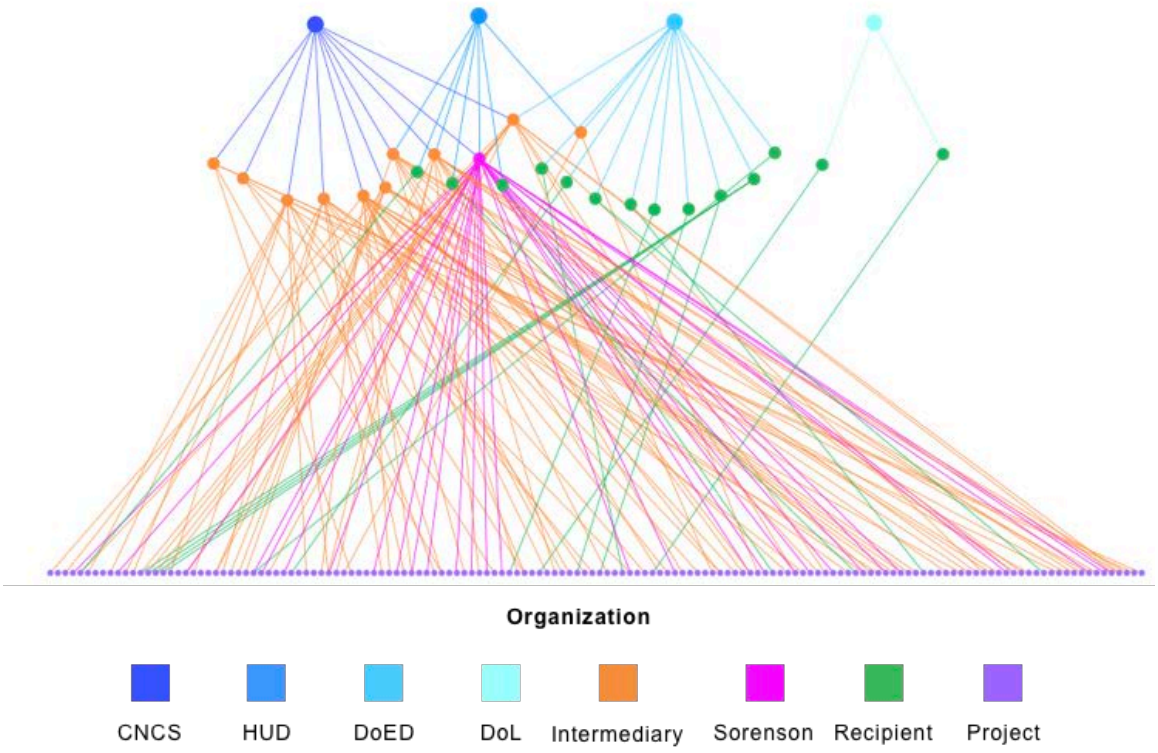

Figure 5.10 The Relationship between Financial Intermediaries and Projects

Figure 5.10 builds off of Figure 5.7 and demonstrates that most PFS projects had engagement with intermediary actors. These actors ultimately determined the jurisdictions receiving funds and technical support for PFS projects. Of the intermediary actors, some had greater influence on the field, as illustrated by the higher number of project nodes associated with the intermediary node. Some PFS project participants greatly valued the role of intermediaries. My research indicated the empowerment of intermediaries was often viewed positively. One interviewee from the west coast stated,

"Intermediaries have been the biggest ally from the content perspective. The field wouldn't have gotten as far without the intermediaries – Pay for Success couldn't have gotten as far without them. Intermediaries really bring together all of the sectors." [IP LS 190305] One service provider spoke directly about the role of the intermediary in their project, "[Our intermediary] brought a deep integrity lens." [IP AW 190307]

Some intermediaries recognized their role as working closely with individual jurisdictions to both empower and identify their unique needs. One intermediary from a mountain west state commented, "Every jurisdiction has different needs, when I think of our role of providing technical assistance in the space, because it was such a new concept it really [allows us] to build local capacity [and] build a project with the community." [IP CR 1711-2] Another, from the east coast, shared her experience regarding the necessity to work in partnership with the intermediary, "Intermediaries don't control anyone else's time. Only government can get it done and empower the policy entrepreneur." [IP RK 190308]

Service Providers

Most service providers got engaged in a PFS project during the feasibility phase, although they tended not to be the entity conducting the assessment. Rather, they provided data regarding intervention costs and capacity to scale to the needs of a potential PFS project. That said, some service providers did reach out to nonprofits who served as PFS knowledge intermediaries with requests to help the service provider engage in PFS. One knowledge intermediary reported to me:

> One thing that sort of gets lost in this that we got a lot of outreach from our service providers a lot of service providers became very interested in this because they were so convinced for a number of reasons. One is a way to scale, but they weren't often sort of the main applicant or the main focus of any particular Pay for

> Success project or effort. And we did see that usually that the service providers who reached out to us [regarding] launching a Pay for Success project, it was places where there was deep engagement with local government. [IP KW]

According to my findings, service providers were most often local to the jurisdiction engaging in the PFS project. The one service provider that was most frequently outside a jurisdiction was the Green and Health Homes Initiative (GHHI). An interviewee did explain to me that the organization has a "network of healthy housing partners across the country" that have helped the organization build partnerships within jurisdictions. It is important to mention that GHHI is also a fiscal intermediary so another way their build partnerships within communities was through providing initial funding for PFS feasibility.

It must be noted that in some cases of PFS diffusion, government agencies served as service providers. There wasn't any indication through my research that PFS diffusion or success was associated with the sector of the service provider. However, providing service provision through a government agency would simplify budgeting and contracting and therefore could make the instrument itself an attractive policy alternative for addressing certain community issues.

Investors

My findings revealed that several mainstream investment firms and philanthropic funders have engaged in PFS. The first few PFS projects that launched had actors within the jurisdiction with close relationships with the investment sector. For instance, interviewees engaged in the very first PFS project in New York City reported that both Goldman Sachs and Bloomberg Philanthropies were part of the close working group that launched the project. Other notable investors for launched projects have included the Sorenson Impact Foundation and the Sorenson Family Foundation, the J.B. and M.K

Pritzker Family Foundation, the Walton Family Foundation, the Laura and John Arnold Foundation, United Healthcare, the Reinvestment Fund, and the Nonprofit Finance Fund (also an intermediary). Some individuals associated with these organizations have championed PFS at both the local and federal level. For instance, Jim Sorenson funded and launched the Sorenson Impact Center, an intermediary, and personally lobbied Congress to pass PFS-friendly legislation.

Although I anticipated greater engagement of investors at the beginning stages of PFS projects, I was not able to detect much direct engagement during diffusion. Oftentimes the feasibility reports used to build the PFS dataset would indicate potential philanthropic or private investment partners, but communities hadn't yet directly engaged them in their PFS effort. Data from my interviewees supported this finding. One service provider who was the lead of a PFS project in the west reported to me that after the feasibility study was completed one of the main questions was, "Can we get the funding? Can we get the investors onboard?" [IP AW] One interviewee shared her thoughts that PFS would have diffused more quickly if there was more investor engagement, "I've seen a lot of the same [investment] players. . . what would definitely help speed up the process a little bit is to get more early interest from investors." [IP NPFF]

That said, investors did participate in some of the events where I collected participant observation data. Some sponsored the events, such as Big Path Capital and the Robert Wood Johnson Foundation's support of Sorenson's 2017 Winter Innovation Summit. Others participated in events as panelists, such as the Kresge Foundation and the Laura and John Arnold Foundation's participation in the panel 'Philanthropic and Public-Private Partnerships to Support Innovation' at an event hosted by the White House in

2016. One investor, serving on a 2017 panel titled “Social Impact and Mainstream Investing” stated that her firm’s involvement in PFS was driven by the firm’s desire to “integrate social and environmental aspects into their investment decisions.” [PO AC 170126] Another investor, serving on a 2017 panel discussing the future of PFS, gave her opinion on the roles of investors, “Investors shouldn’t be driving what the issue is. . . There has to be local government engagement. There has to be an evidence-based program. There also has to be providers that can deliver on the interventions.” [PO AP 17-125] In regard to the geographic representation of investors, my findings show that those PFS investors engaged in the initial diffusion of a project were most often local investors. The exceptions most often included the M.K Pritzker Family Foundation (in Chicago) and Goldman Sachs (in New York City).

As this section demonstrates, organizational actors engaging in PFS diffusion represent one of five distinct types of organizations which span public, private, academic, and nonprofit sectors. Government agencies are public sector actors. Intermediaries are most often nonprofits. Service providers are most often nonprofits, but on occasion are private sector or public sector actors. Investors were both private sector and nonprofit foundations. Evaluators were the least likely to engage in diffusion. The geographic representation of government actors spans the U.S. across 34 states and D.C. The geographic scope of government actors has been city, county, regional, state or national. The other actor’s geographic representation varies. Service providers are most often aligned with the location of the PFS project in which they have engaged, as are evaluators and investors. Intermediaries are widely dispersed across the county and are not geographically associated with the projects they engage in. In the next section I turn to

the individual actors who facilitated PFS diffusion to their communities, the policy entrepreneurs.

Role of the Policy Entrepreneur

As mentioned above, the federal government provided funding for the majority of PFS projects in the U.S. However, these projects all required the interest and engagement of someone *outside* the federal government. As one federal employee explained, "What we've done is develop a platform for individual entrepreneurs to champion their own project." [IP V 190314] These individuals, referred to in the literature as policy entrepreneurs (PE), are actors who are central to enactment of a new policy or innovation (Kingdon, 2002; Mintrom, 1997a). Similar to private sector entrepreneurs, these PEs must work to get the attention of others in order to convince them that their innovation is worthy of consideration. However, rather than marketing a good or service to potential buyers, PEs work to get the attention of decision makers and then attempt to convince them a policy solution should be adopted in a jurisdiction. In order to accomplish this feat, PEs must first have access to decision makers (i.e., elected officials) (M. D. Jones et al., 2016). In addition, PEs need to have resources (i.e., knowledge, money, etc.) and use strategy (i.e., framing, policy brokering) which enable their efforts (M. D. Jones et al., 2016).

Throughout my interviews and participant observation I was able to identify PEs within each project discussed. My respondents frequently discussed the importance of PEs for the successful diffusion and adoption of PFS. As one participant stated, it is necessary for all PFS projects to have "someone who goes above and beyond." [IP KMG] One federal employee agreed, "There are definitely policy entrepreneurs in every state

with Pay for Success." [IP KS 190326] PEs were found to *use particular tactics* to influence PFS diffusion including: 1) engaging decision makers; 2) leveraging non-human resources, and 3) strategically framing PFS. I describe each of these tactics in greater detail below

Access to Decision Makers

Before any policy is implemented, the idea must get the notice of policy makers and get placed on their agenda for action. Therefore, engaging government officials is an important factor for the diffusion and adoption of PFS. One PE in a large east coast city knew this was important in her effort to bring PFS to her community. In our discussion she explained,

> I think you do really need someone with a lot of power in government to really be behind it. You can't just pull it off with . . . with the mayor just saying, 'Oh yea, I'm interested.' You really need a senior, high level person who is interested in it who can get the budget office to sign off, and twist some arms, that kind of thing. [KMG]

In some cases, however, an elected official served as a PE. Mayor (now Congressman) Ben McAdams of Salt Lake County was one such elected official who acted as a PE. He helped bring the concept of PFS to the forefront in Salt Lake County and across the state of Utah. He also championed it. One interview participant commented:

> You've got cases like Ben McAdams who has built his entire political career on this . . . He was obviously one hundred percent all in. And if Pay for Success became a disaster he was going to get pulled down with it. And not all electeds are willing to throw their lot into a new idea like this. And we'll see in the long run. I mean I think he's running for Congress right now. [IP IG]

However, in most cases, elected officials were not PEs and were not familiar with PFS.

While PEs were not often elected officials, it was important that PEs had access to elected officials. An interview participant acknowledged the importance of PEs having such and then expressed his challenges engaging decision makers not familiar with PFS:

> If you're trying to convince an elected to go along with this, I know this is super cynical, but you know I just feel like you've got to factor in on some level that these are people who are running for election or re-election and you know changing the way that the government pays for things in a way that does not benefit them visibly is not necessarily their highest priority." [IP IG]

Such competing interests present challenges to PEs pursuing a policy innovation like PFS.

One PE working in government mentioned that it was the project's PE who "with excitement and passion" engaged elected official and was able to make the project move forward. [IP KMG] A PE in a governor's office said it was specifically her job to interact on behalf of the governor's office with state-level elected officials and in order to help pass the statewide legislation necessary for the state's PFS project. [IP GA] A PE in the federal government had a "claim to fame" in that she was able to engage with political officials in ways needed to move someone's "big idea" forward. She added that people came to her with ideas because they knew "she had the levers to be able to do it." IP KS 190326]

Service provider PEs had access to decision makers, both elected officials and board members. One reported to me that her relationship with her board was important in order to engage with PFS, "We had the support of two board members who were very familiar with the Pay for Success concept and understood the financing structure."[IP EJ 190317] The PE at this organization ultimately worked closely with these board members and was able to get PFS enabling legislation passed in their state.

Access to Resources

Interviews and participant observation indicated that access to both knowledge and funding were factors associated with PEs engaged with PFS projects. A number of PFS PEs came from the private sector. Their experience in the private sector and with finance and investment enabled them to understand the complex financing structure of PFS. These actors were able to explain the instrument to others who weren't as familiar with financing. As one stated, "The vast majority of people in [government] have a poli-sci or law degree, there were not many MBAs so having the finance background was extremely useful." [IP DG] Some actors were from the academic sector and working either in government or with a service provider organization. One stated that when convincing community partners and elected officials to engaged with PFS, "We had data to demonstrate the efficacy of our services because of my research background." [IP EJ]

Of the investment firms engaged with PFS, Goldman Sachs has been the one most widely linked to PFS diffusion. Their tremendous access to capital and the knowledge to deploy it has allowed them to engage in a number of implemented projects. They have had PEs within the firm engaged at the community level who have helped engage communities in PFS. As one interview participant from an early adopting jurisdiction explained to me, not only did the organization have the necessary capital to engage in PFS, but "Goldman Sachs was also very motivated to get into this work." [KD]

Another factor that can be considered a PE resource is the ability to access the support system provided by their job. Some PEs I spoke with said that PFS was not originally part of their job description, rather it was a policy innovation they learned about and were able to convince their employer to pursue. One interviewee from an east

coast city explained that although she didn't need the buy-in from elected officials she did need to convince the budget director to allow the city to engage in the work. She was very tactical in her approach:

> We did manage to get him to an executive meeting that was held in [the community] with the DOJ and HHS people where he was able to meet with [a neighboring county] and learn a little bit more about why this project isn't just 'let's just throw some money at it.' [G PGC]

In the end, she said, "He was a big fan." [G PGC]

Utilization of Strategy

Access to decision makers and resources is not all that is required to move policy innovations forward. Interviews and participant observation indicated that PEs engaged with PFS diffusion had to utilize strategy to build relationships, get the attention of elected officials, get community partners engaged with PFS and, ultimately, launch projects. Many PEs recognized the importance of strategy in their work. One PE said she was able to draw on her bank of knowledge of the federal government to figure out how to move PFS forward and then, in her words, had a "concrete execution strategy." [IP KS 190326] An intermediary interviewed stated that he "helps drive the strategy" when working with jurisdiction considering PFS projects." [IP T 190402] Another intermediary explained that her role was one of a mediator and peacemaker, as she knew everyone had to be on the same page in order to move PFS forward. She stated, "[I was] the traffic cop and the mediator of five different parties all negotiating at the same time." [IP KMG]

A PE within a mayor's office employed creativity as a strategy to engage stakeholders in a PFS effort. As one interview participant explained to me:

> [The deputy mayor] was on a conference call, brainstorming ideas and she ran basically a contest. She oversaw a big portfolio of human touching programs and invited the best ideas of how you could use Pay for Success to get better outcomes

> at lower costs. She fostered an environment where she invited lots of people to think outside of the box. [IP KS 190326]

This strategy worked to get employees across the city interested in PFS and it attracted the interest of the city's elected officials.

Many people I spoke with throughout data collection who weren't personally identified as a PE recognized the importance of PEs in PFS projects. One intermediary reported that PEs were in each of the communities where she had helped catalyze projects. She said, "They [PEs] were good connectors with people, they got them to cooperate and got everyone to see how beneficial the project [was] for everyone." Another interviewed noted that the PEs engaged in PFS were really "the super stars on the ground." [IP CR 171102] Another mentioned that "[PEs] were risk takers and had visions for how government could be more efficient." [IP KS 190326] They had a "willingness to do things differently and political will [which] takes having clout within the jurisdiction," said another intermediary I interviewed. [IP RK 190308]

When I asked one PE if she could articulate some characteristics that enabled her to bring PFS to her community she shared,

> Yeah there's several, patience, passion and tenacity. Yes, it's great that I'm passionate about my work and about my patients that we serve. And I've been patient with the questions and the back and forth. But in the end, they know that I'm gonna keep coming. [G PGC]

The PE most often named by others in their interviews and the person who I interacted with that stood out the most in his efforts to diffuse PFS across the county was the last director of the White House Office of Social Innovation under the Obama Administration. His thoughts regarding his efforts are poignant:

> Systems aren't designed for innovation; it takes tremendous persistence. . . . it takes heart to know what you're doing is worth the effort. It takes bravery and

> political capital and take risks and risk failure. It's incredibly challenging. [DW 170124]

Interviews and participant observation indicate policy entrepreneurs were directly engaged in PFS diffusion efforts. By utilizing their relationships with decision makers, access to resources, and being strategic they have facilitated PFS diffusion into communities across the U.S.

Emerging Findings

The above actors have played central roles in PFS diffusion in the U.S. It is important to note not only the actors who impact diffusion of innovations, but also examine their motivation for diffusion as it informs associated consequences (R. A. Schurman, 2003). In doing so I uncovered some unexpected findings. When first embarking upon this research, the literature indicated the macrolevel influences of neoliberalism and the resulting drive for individual economic attainment influence engagement in diffusion of innovations (Harvey, 2007; Jasanoff, 2011; Middendorf, Skladany, Ransom, & Busch, 2000; R. Schurman & Kelso, 2003; Shiva, 1999). However, PFS not only has the goal of returning capital to investors, it also has the goal to improve social issues. This calls into question whether actors engaged in diffusion had a conflict of interest; *can these two goals be attained without serving economic interests over social interests?*

As indicated by my analysis, PFS contracts did indicate expected rates of returns for investors engaged in launched projects, but interviews and participant observation data showed private sector investors' interest was more aligned with the social impact of the related project, as mentioned above. It is possible participant bias impacted private sector actors; rather than being honest about their economic interest they may have

provided statements deemed more socially favorable. However, only one participant outside the private sector expressed concerns regarding private sector accountability and conflict of interest. The interview participant said, “The way the model has been rolled out has the benefits and risks going in all directions . . . Why should JP Morgan benefit from creating efficiencies?” [AH] Although there was not great indication of perceived conflict of interest impacting private sector engagement, my research indicates conflict of interest affected one group of actors, the intermediaries.

My research reveals that fiscal intermediaries were involved in the vast majority of PFS diffusions in the U.S. In this role, organizations received funding from the federal government and then selected sub recipients that received a portion of those federal funds. Interviews indicated there were organizations who chose not to serve as fiscal intermediaries because of the perceived conflict of interest. One participant discussed the limitations of the role of financial intermediaries, noting that they were restricted with what communities they could support. This caused some organizations not to apply for federal funding, despite their ability to be a financial intermediary. An interviewee from one such organization explained their decision, “So we didn't just want to be another intermediary . . . We wanted to be able to connect [our organization] to any of the grantees or other entity.” [IP KW]

Although these intermediaries did provide funds to sub recipients, the federal grants they received also enabled intermediaries to provide technical assistance to sub recipients. However, some actors engaged with PFS projects were skeptical as to the amount of technical assistance that was contributed to PFS projects. As one interviewee argued, “Federal investment in the Pay for Success concept is important but they should

really be careful about where and how the funds are allocated so that intermediaries are not profiting without actually contributing to the effort." [IP EJ] Another participant expressed his thoughts on this when he stated that:

> We've talked about diffusion across the country, the way that we've done that is to inject the intermediaries with funding and then put them on the clock to go out and find projects . . . the problem with that is I think there are a number of projects that only exist because somebody came knocking with money instead of having come into existence organically . . . and the problem with that is that it can be the support for these things on the ground can be softer than it appears because you think, Oh, you know, this project got a two million dollar grant.

A little later in the conversation I directly asked if he thought intermediaries had a conflict of interest. He responded, "You know that's a great question. I think at the moment all of the intermediaries that I am aware of are working in good faith, [but] I think I can imagine conflicts at some point." Then he elaborated:

> From what I've seen they're all really laser focused on getting deals done . . . which leads to another problem which is not a conflict per say, but I have talked to a number of non-profits who have been recipients of SIF grants . . . and many of them really soured on the process because they felt like they were being pressured to close the deal by . . . their intermediary. And that was not what they thought they signed up for. They thought they signed up for some consulting support to help them do a feasibility assessment [to determine] if it made proceed with the project and I think for many of them it felt like, you know, they had signed up to do a deal come hell or high water. [IG]

As articulated above, my interviews indicated some actors engaged with PFS were wary about the economic benefits other actors were perceived to receive through their engagement with PFS projects. Consequences of such perceptions could inhibit further diffusion by decreasing the level of trust between PFS actors.

Conclusion

In conclusion, this chapter presented the findings of the quantitative and qualitative analysis that sought to answer the research questions for this study and identify the driving forces catalyzing the diffusion of PFS in the U.S.

The results presented here demonstrate that PFS diffusion across the U.S. was incremental until 2015 and has remained flat since 2017. This diffusion was catalyzed by both internal and external factors. The internal factors most associated with PFS diffusion include enabling legislation, social issues, and economic constraints. External factors most associated with diffusion include availability of funding and instances of policy learning and imitation. Distribution of federal funding aligns with the highest rate of PFS diffusion, as it is associated with 123 of the 146 PFS projects. When the distribution of federal funding ceases, diffusion at the state and project level nearly ends. This provides an indication that federal support of PFS was a major catalyst for PFS diffusion in the U.S.

Outside of federal funding there were also individual actors who played a part in influencing diffusion. The organizational actors engaging in PFS diffusion represent one of five distinct types of organizations which span public, private, academic, and nonprofit sectors. The geographic representation of government actors spans the U.S. across 34 states and D.C. PFS has diffused across various levels of government including at the city, county, regional, state and national levels. Organizations influencing PFS diffusion have individual actors within them. These actors have strong relationships with one another. These relationships include cohesive teams, trust, prior relationships, and peer support through the PFS network. Such relationships are key to PFS diffusion. However, the perception of economic conflicts of interest of investors and intermediaries may damage relationships, erode trust, and stymie further PFS diffusion. Finally, there are particular actors engaged in PFS diffusion, policy entrepreneurs, who are tactical in their efforts to engage communities in PFS. These PEs used their access to decision makers

and resources and strategy to facilitate PFS diffusion. The tenacity, passion and dedication of these individuals has contributed to PFS diffusion in the U.S.

In the following chapter, I discuss my findings as they relate to my theoretical framework. I then articulate the contributions as well as the limitations of this study. Finally, I provide a look into the future of PFS and suggest areas of future research.

CHAPTER SIX: DISCUSSION AND CONCLUSION

Motivated by the question, *What catalyzes a jurisdiction to innovate?* this research sought to more fully understand diffusion of Pay for Success (PFS) in the U.S. My research provided a deep examination of the diffusion of the policy innovation PFS across the U.S. and explored the roles of the actors who have facilitated PFS diffusion. I utilized an embedded, mixed-methods, case study approach. Construction of a unique dataset, elite interviews and participant observation were used to examine the case. Ultimately, the results of my research have provided insight into how PFS has diffused across the U.S., and the reasons why the diffusion has occurred in the manner it has. The research revealed specifics regarding the tactics utilized to influence diffusion of policy innovation, economic and social factors impacting diffusion, and the associated power dynamics and relationship structure of actors engaged in diffusion efforts.

In this final chapter I discuss my findings as they relate to my theoretical framework and articulate my contributions to the literature. I then discuss the limitations of this study. Finally, I provide a look into the future of PFS and suggest areas of future research.

Theoretical Framework: Findings and Implications

This research further builds on previous scholarship examining the spread of policy through conceptual and theoretical contributions from literature on agenda setting, diffusion of innovation, and policy entrepreneurism. I used these conceptual and theoretical tools as an *a priori* framework to guide my research design, implementation

and analysis. However, I also allowed identification of patterns within the data to inform new theoretical development. What I've presented is an in-depth, mixed method assessment of the diffusion of PFS, addressing Berry and Berry's (2014) critique that the vast majority of diffusion studies are quantitatively focused.

Agenda Setting

The policy making process was important to consider when scoping this project, particularly the agenda setting phase. Agenda setting is the stage in the policy making process in which a policy innovation must get the notice of decision makers and get placed on their agenda for action (Jenkins-Smith & Sabatier, 1994; M. D. Jones et al., 2016; Kingdon, 2002). Agenda setting literature explains how and why some issues move onto and then up a government's priority list for action. The Multiple Streams Approach (MSA) and diffusion of innovation literature further examine the forces driving the agenda-setting process, which ultimately impacts the diffusion of PFS. It is this literature that helped address my research question, *What has been the process of PFS diffusion in the U.S.?*

How PFS spread across the U.S. was tracked through a dataset I constructed specifically for this project. I was able to analyze time and geographic variables (including geographic location) to track the spread of PFS. PFS, as a concept, was invented in Peterborough, UK. Then it was introduced to Mayor Michael Bloomberg in New York City, where the innovative concept was implemented in 2012. It has since diffused across the country. As my findings indicate, PFS diffusion across the states in the U.S. was incremental until 2015 and has remained flat since 2017. This trajectory of the diffusion aligns with the traditional diffusion theory S-curve (Rogers, 2003), and

provides crucial information regarding the characteristics of actors engaged in diffusion, in particular because PFS innovators and early adopters will likely impact the trajectory of future diffusion (F.S. Berry & Berry, 2014). For instance, the success of these early PFS projects will catalyze more jurisdictions to adopt the innovation in the near future.

PFS has been diffused to the city, county, regional, state, and national levels of government. Existing literature on diffusion of policy innovation generally looks at diffusion within the same level of government - state to state or city to city (F. S. Berry & Berry, 1990, 2014; Mintrom, 1997a, 1997b; Mintrom & Vergari, 1996; Shipan & Volden, 2008; Walker, 1969). My research expanded the innovation and diffusion literature by examining PFS diffusion among multiple levels of government. I've demonstrated that PFS has diffused most frequently to both states and local jurisdictions, indicating both states, and the jurisdictions within them, are the testing grounds for policy innovation.

Diffusion of Innovation

The heart of my research delves into *what has catalyzed PFS diffusion* across the U.S. As revealed in Chapter 5, when it comes to PFS, a pairing of internal and external determinants has influenced its diffusion. According to my findings, enabling legislation, social issues, and economic constraints are the internal factors most associated with PFS diffusion.

My findings indicate actors both inside and outside of government sought new policy solutions to persistent social problems. These actors took notice of PFS and worked to get the policy diffused at the local, state, and federal level, which aligns with the findings of previous scholars (e.g., Kingdon, 2002; Jones et al., 2016). In some cases, however, PFS itself is difficult for a jurisdiction to engage in without prior enabling

legislation that allows the type of contracting and revenue spending required by most PFS projects. However, information asymmetry exists in regard to the necessity of PFS enabling legislation, and this information asymmetry appears to be stymying some diffusion efforts. The lack of a standardized approach regarding enabling legislation is a symptom of the local control granted to states, counties, and cities to make decisions that best represent the interest of their constituencies.

Issue load is a catalyzing factor for PFS diffusion. My findings indicate PFS has been looked to as a policy innovation that can help jurisdictions access the capital necessary for implementation of prevention-related programming to address social issues impacting communities. Most often these issues were related to disenfranchised children, homelessness or recidivism. Actors within jurisdictions have called attention to the political strife related to a social issue as being a catalyst for PFS consideration. In other words, the more load a jurisdiction is feeling related to an issue, the more likely they are to innovate. This finding aligns with Walker (1969) as well as more contemporary scholars (e.g., M. D. Jones et al., 2016; Zahariadis, 2016). When it comes to PFS, the policy instrument itself is an innovation in government financing. However, it also *enables governments to innovate in other policy realms*, such as social service delivery.

Tight budgets are often the main hindrance on the testing of new policy solutions (Azemati et al., 2013). Without funding support, government at all levels are challenged to test new policies to address social problems, from recidivism to school readiness. PFS has been seen as a policy innovation that helps alleviate budgetary pressures associated with the persistent social issues through enabling access to capital for implementation of prevention-related programming. This budgetary pressure on social issues stems from an

overall reduction in Federal spending on these areas beginning in the 1980s and coincided with the increased use of block grants in the 1990s, which moved social service decision making (and load associated with the issues) from the federal government to the states. It has also been associated with the end of post-recession recovery funds in the early 2000s. In the presence of these federal changes, states and local governments were more open to policy innovations, like PFS.

Budget constraints, alongside the rise of neoliberalism, made PFS an attractive policy alternative for communities seeking to address acute social issue. The opportunity to use PFS to leverage private sector and philanthropic dollars to provide effective, evidence-based services is attractive to jurisdictions seeking fiscal relief and alternative solutions to longstanding problems. Because the government pays only for demonstrated results, private sector and philanthropic investors bear the primary financial risk until outcomes are achieved, reducing the overall financial risk of taxpayer dollars. In addition, most PFS projects were designed to facilitate savings and cost avoidance to the public sector. It is often through this retained capital that government is able to pay back the intervention's investors. Therefore, PFS was looked to because of its capability to enable a reallocation of scare resources towards more effective and efficient spending. In this regard, PFS is uniquely designed to be attractive to both fiscal conservatives, as well as socially minded politicians. According to my research, jurisdictions engaging in PFS projects have reflected this diversity.

External factors most associated with diffusion include availability of funding and instances of policy learning and imitation. Availability of funding was demonstrated to be an external factor that most significantly impacted jurisdictions' decisions to pursue PFS.

My research indicated most of this funding came from the federal level. The federal government has supported PFS through the release of funding opportunities to support feasibility analyses, capacity building, and construction of PFS financing initiatives. Of the 146 cases I studied, 123 had received some sort of federal support. Corporation for National and Community Service reports the $34 million in federal PFS investment has catalyzed nearly $70 million in nonfederal PFS support ("Social Innovation Fund," 2019). This is an important implication not only for the future of PFS, but for public-private partnerships in general. It is also important when considering the future of social service funding and delivery. Although the federal government has decreased its support of and engagement in social services, its support of PFS is enabling innovation in funding and social service delivery at the subnational level. In most cases the federal government has accomplished this diffusion of innovation through the engagement of fiscal intermediaries.

Eleven organizations served as fiscal intermediaries between the federal government and PFS projects. These intermediaries provided direct assistance through funding, mentoring, conferences and technical assistance to most of the jurisdictions that have explored PFS in the U.S. They played a significant role in diffusion of PFS as they were involved with the vast majority of PFS projects in the U.S. Another implication that emerged in my findings related to intermediaries was that some actors engaged with PFS were wary about the economic benefits of other actors, like the intermediaries, were perceived to receive via their role with PFS projects. Consequences of such perceptions could inhibit further diffusion by decreasing the level of trust between PFS actors.

My research identified that a powerful network has been connecting PFS actors and jurisdictions at all levels of exploration of PFS as a policy solution. In such an instance, *policy learning* and *imitation* have been identified as contributing to policy diffusion.

The literature also helped me recognize the importance of characteristics of actors engaged in the diffusion process and thus led me to ask *What actors have been engaged in the diffusion of Pay for Success in the U.S.?* I also answered the underlying questions *What sectors do the actors involved in the diffusion of PFS represent?*, and *What is the geographical representation of the actors?*

Prior to my research, PFS literature neglected to adequately address the influence of the various sectors involved. However, as my findings indicate, PFS involves the interests of multiple sectors. My research builds on previous PFS literature by addressing the role of public, private and nonprofit sectors in policy diffusion. My research has indicated organizational actors engaging in PFS diffusion represent one of five distinct types of organizations: government agency, intermediary, service provider, investor, or evaluator. These organizations represent public, private, academic, and nonprofit sectors. Geographically, these actors span the U.S. across 34 states and D.C. The level of government actors has been city, county, regional, state or national, with most participating at the city, state or county level. Service providers and government representatives tended to be the organizational actors most often within the geographic location of the PFS project. Intermediaries are located in a number of states east of the Mississippi but are only in California and Utah in the west. Because of the significant

role intermediaries have played in PFS diffusion, regions of the country without intermediary presence are at a disadvantage when it comes to engaging in PFS.

I take my research deeper by developing a greater understanding of the individual actors across sectors influencing diffusion by asking *What factors lead to successful PFS diffusion?*, and *What tactics do PFS actors use to influence diffusion?* Answering these questions gave me a richer understanding of the structure of the PFS diffusion network and relationships within it.

PFS projects represent teams of actors with diverse interests and agendas. Yet due to the complex contract necessary for PFS initiatives, all parties involved must be in agreement for a PFS project to launch. Thus, strong relationships are associated with PFS diffusion. This includes cohesive teams, trust, prior relationships, and peer support through the PFS network. The cultivation of these strong relationships is most often facilitated by particular actors engaged in a PFS project. These actors are policy entrepreneurs (PEs).

Policy Entrepreneurs

There is a deep literature on policy entrepreneurship. However, research on PEs also has limitations. In particular, most of the PE literature focuses on the national level (M. D. Jones et al., 2016). In addition, recommendations for future MSA research includes delving into its concepts, including policy entrepreneurship, at a more localized level of government (Arnold, 2015; Cairney & Jones, 2015; Eissler et al., 2014; M. D. Jones et al., 2016; Liu et al., 2010). I add to the literature with my focus on PEs at various levels of government and across a number of sectors. I also add to the PFS literature as

previous scholars have not examined individual actors that have engaged in this policy innovation.

PEs can be actors within one or more of the stakeholder groups in the PFS structure, but they were most often within government or a service provision organization. In some cases, PEs were in the intermediary or investor role. These findings coincide with previous scholarship indicating the policy process engages more than elected officials (e.g., Baumgartner & Jones, 2009; Demir & Nyhan, 2008; Kingdon, 2002). PEs used their *access to decision makers* and *resources* and *strategy* to facilitate PFS diffusion. However, PEs faced significant hurdles in gaining the attention of policy makers who were reluctant to take on the financial and political risks inherent in implementing new programs. Despite this, PEs seized the opportunity to use PFS as a new way to engage with policy makers. In some ways, PFS was used as a tool to reshape the discussion about social service delivery in communities across the country. As such, PFS was much like Kingdon's (2002) 'window of opportunity' or Bumgartner and Jones' (2009) 'punctuating events' in that PFS was utilized by PEs to get the attention of policy makers in order to address social issues in their communities. Although they can facilitate diffusion, PEs are not the only factor needed for diffusion of PFS. PEs must frame the aforementioned determinants that bring about innovation in government in order to facilitate diffusion. Like Mintrom (1997a) and Kingdon (2002), the findings of my research have demonstrated PEs have played a central role in helping catalyze diffusion of PFS.

Limitations of the Study

As with all research, a number of limitations exist in this study. First, bias must be taken into account. Bias in research occurs when the research design or interpretation encourages one outcome over another. In regard to researcher bias, I have personally taught about and engaged in the field of PFS since its inception in the U.K. From 2009 through 2014 my engagement was passive, participating in trainings, conferences, and webinars focused on the topic. I engaged directly with PFS actors through these events and began building professional relationships. In 2015 I became a Policy Innovation Fellow for the city of Boise, ID, where I conducted a feasibility assessment on utilizing PFS to address issues related to chronic homelessness. My fellowship was funded by the White House Office of Social Innovation and the Corporation for National and Community Service. I received direct technical assistance, training, and support through the Sorenson Institute at the University of Utah. In many ways this prior experience was beneficial to my research. First, my prior engagement provided me with a deep background of understanding of the policy instrument. Second, I personally knew may of the actors engaged in PFS diffusion across the U.S. The trust I had built in the sector gave me access to data, participant observation opportunities, and interview participants. Yet because of this prior knowledge and experience I was intentional in mitigating for my personal bias and confirmation bias. To accomplish this, I made certain that my interview protocol did not include any leading questions. When I did not understand a respondent's answer to a question, I asked them to clarify it, rather than putting it my own words. I also created a coding scheme, informed by the literature, for interview and participant observation (outlined in Chapter 4) that allowed me to continually evaluate perceptions of

respondents. I systematically coded the interview transcripts and participant observation notes based on the coding scheme. I also allowed new themes to emerge, such as the conflict of interest discussed in my findings. These mitigation efforts helped me minimize the role of bias in this research.

With this study, there is also concern with respondents, particularly recollection inaccuracies or the temptation to offer socially desirable answers. Recollection inaccuracy occurs when a respondent is asked to recall a past event and although they are unable to, they provide the researcher with a response. Socially desirability bias occurs when respondents answer questions in a way they believe to make them appear more favorable to the researchers. This was a concern in this research for two reasons: First, I personally knew many of the respondents and second, some questions I asked may have been considered sensitive topics to respondents, such as when speaking about conflicts of interest. I mitigated this bias in two ways. First, at the beginning of each interview, I reminded participants their answers would not be directly attributed to them. Second, I was careful to frame my questions in ways that allowed for socially undesirable responses to be deemed acceptable.

Methodological limitations also exist. Interview participants were not randomly sampled, rather they were purposefully selected in order to provide a representative sample of actors engaged in PFS. Although this presents an issue in the generalizability of the responses to PFS diffusion efforts beyond the study period, the responses themselves did provide not only for enrichment of the quantitative data, but for an in-depth analysis of the case of PFS diffusion. In addition, the inclusion of diverse voices

and points of view, or multivocality, enabled me to ensure different viewpoints of PFS diffusion (Tracy, 2013).

Finally, PFS is a new area of research, which also presents a limitation. The newness of the field is limiting in that I had very little academic literature available to contribute to the theoretical framework that guided the study. Instead, I had to rely on broadly on the literature from agenda setting, diffusion of innovation, and policy entrepreneurism to frame this work conceptually and theoretically. Despite these limitations, this study is the first to attempt to empirically examine the diffusion of PFS in the U.S. This study brings new insights into the field of PFS and articulates critical factors influencing the diffusion of PFS across the U.S.

Areas for Future Research

This research is of heuristic significance in that it may prompt the curiosity of others by initializing the research on PFS diffusion. This initial research on PFS diffusion provides findings that can now be studied in more depth. This can include strengthening the PFS dataset by including additional variables and incorporating new cases of diffusion. Future research can also statistically test theory-driven hypotheses. The research can be expanded to include data collection, including new interviews and participant observation, after a distribution of additional federal funding (i.e., through SIPPRA). In addition, a widely distributed survey could incorporate the perceptions of more PFS actors. Finally, additional in-depth case studies with individual jurisdictions that have adopted PFS can provide an increased understanding of the similarities and differences between individual projects.

Future research could more also closely examine the differences between PEs inside and outside of government. There are indeed differences in the values and motivational factors between private, nonprofit and public sector employees (Lyons et al., 2006). PEs within government, referred to as government champions in an early chapter, are really policy intrapreneurs – entrepreneurs within an organization. Intrapreneurs promotion of policy innovations (of PFS and otherwise) could lead to vast improvements in government service delivery. Learning more about cultivation and motivation of intrapreneurs within government may help bureaucratic leaders cultivate innovation within their jurisdiction.

The Future of PFS

Reacting to the election of Presidio Donald Trump, one research participant perceived, “There is very likely going to be less federal dollars flowing into [our] communities.” [PO AP 170125] Given this uncertainty about the future of the federal funding that has traditionally supported social services, state and local governments can turn to PFS as a way to empower state and local jurisdictions to provide services specifically suited to their communities’ needs. That said, most PFS projects to date have received some sort of federal support. Although the support dwindled in 2017, on February 14, 2019 the U.S. Treasury released a Notice of Funding Availability for PFS projects. The $100 million of available funds through SIPPRA will likely spark another wave of PFS projects across the U.S., thereby further catalyzing PFS diffusion. As U.S. Supreme Court Justice Brandeis wrote for the dissent in a 1932 Supreme Court case (New State Ice Co. v. Liebmann, 1932),

> It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.

This is precisely what has occurred with PFS in the U.S. PFS is a 'novel social and economic experiment' that state and local jurisdictions have been catalyzed to engage in through federal support. These courageous jurisdictions, and the actors within them, are utilizing innovative financing to leverage private sector investment with government funds to address social issues related to homelessness, recidivism, school readiness, early childhood and maternal health, mental health, workforce development and water contamination. The *success* of these PFS projects will encourage new jurisdictions to adopt the policy innovation and further impact some of the most significant issues facing U.S. communities today.

The myriad of societal and environmental problems the U.S. is up against in 2019 cannot be solved through business as usual tactics. Rather, as actors inside and outside government examine mechanisms to addresses the social and environmental issues facing our communities, *innovation* in service provision and program funding will need to occur. My hope is that this research provides a better understanding about what catalyzes a jurisdiction to innovate and enables policy entrepreneurs to be more tactical in their efforts to diffuse evidence-based programs and policies that can achieve demonstrable results.

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APPENDIX A

Pay for Success Projects in the U.S.

Table A1 lists the 146 Pay for Success projects tracked for this dissertation. The table includes project name, diffusion year, geographic location, level of government, and focus areas by age and issue.

Table A.1 Pay for Success Projects in the U.S.

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Denver Housing to Health Initiative	2012	City and County of Denver	CO	County	Adult	Homelessness, Criminal Justice
New York Increasing Employment and Improving Public Safety	2012	New York City, Rochester	NY	City	Adult	Criminal Justice, Workforce
Massachusetts Juvenile Justice and Recidivism Initiative	2012	Boston, Chelsea, Springfield	MA	City	Adult	Criminal Justice, Workforce
NYC ABLE Project for Incarcerated Youth	2012	New York City	NY	City	Youth	Criminal Justice
Utah High Quality Preschool Program	2012	Salt Lake County	UT	County	Early Childhood	Education
Chicago Child-Parent Center Pay for Success Initiative	2012	Chicago	IL	City	Early Childhood	Education
Asthma Impact Model Fresno	2012	Fresno County	CA	County	Early Childhood/Youth	Environment, Health
Cuyahoga Partnering for Family Success Program	2012	Cuyahoga County	OH	County	Early Childhood/Youth/Families	Homelessness
Massachusetts Chronic Homelessness Pay for Success Initiative	2012		MA	State	Adult	Homelessness, Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Illinois Dually-Involved Youth Project	2013	Cook County	IL	County	Youth	Criminal Justice
Scaling Restorative Community Conferencing PFS Project	2013	Alameda County	CA	County	Youth	Criminal Justice
Virginia Pay for Success Council	2013		VA	State	Early Childhood	Health (Maternal and Child)
Santa Clara Project Welcome Home	2013	Santa Clara County	CA	County	Adult	Homelessness, Health
Santa Clara County Partners in Wellness	2013	Santa Clara County	CA	County	Adult	Health (Mental)
Ventura County Project to Support Reentry	2014	Ventura County	CA	County	Adult	Criminal Justice
Oklahoma Women in Recovery Project	2014	Tulsa	OK	City	Adult	Criminal Justice, Female
Permanent Supportive Housing in Travis County (ECHO)	2014	Travis County	TX	County	Adult	Homelessness, Criminal Justice, Health, Workforce
Center for Employment Opportunities and REDF	2014	San Diego County	CA	County	Adult	Criminal Justice, Workforce

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
New York State Intensive Community Asset Program (ICAP)	2014		NY	State	Youth	Criminal Justice
Hillside Intensive Community Asset Program (ICAP)	2014		NY	State	Youth	Criminal Justice
Oklahoma's Partnership for Success Initiative	2014	Oklahoma County	OK	County	Early Childhood	Education
Baltimore Asthma Pay for Success Project	2014	Baltimore County	MD	County	Early Childhood/Youth	Education, Environment, Health
Connecticut Family Stability Project	2014		CT	State	Early Childhood/Youth/Families	Homelessness
Maternal Infant Outreach and Team Pregnancy Prevention	2014	Travis County	TX	County	Early Childhood/Youth	Health (Maternal and Child)
DC Water Environmental Impact Bond	2014	Washington	DC	City	Community	Environment
Vermont Feasibility	2014		VT	State	General	General
Reduce Missoula County, Montana Jail Overcrowding	2015	Missoula County	MT	County	Adult	Criminal Justice
Salt Lake County REACH	2015	Salt Lake County	UT	County	Adult	Criminal Justice

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Arkansas Community Correction	2015		AR	State	Adult	Criminal Justice
State of California Board of State and Community Corrections	2015		CA	State	Adult	Criminal Justice
Louisville IMPACT PFS	2015	Jefferson County	KY	County	Adult	Criminal Justice
Families as Partners and Alternatives to Detention	2015	San Diego County	CA	County	Youth	Criminal Justice, Education
Richmond, Virginia: Virginia Supportive Housing	2015	Richmond	VA	City	Adult	Criminal Justice, Health
Alameda County Justice Project	2015	Alameda County	CA	County	Adult	Criminal Justice, Health
Homelessness and Recidivism in Boise, Idaho	2015	Ada County	ID	County	Adult	Homelessness, Criminal Justice, Health,
Larimer County Partnership	2015	Larimer	CO	County	Adult	Homelessness, Criminal Justice, Health
Clark County, Nevada: Clark County Department of Social Services	2015	Clark County	NV	County	Adult	Homelessness, Criminal Justice, Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Los Angeles County Just-In-Reach	2015	Los Angeles County	CA	County	Adult	Homelessness, Criminal Justice
Governor's Office of Management and Budget PFS Feasibility	2015		UT	State	Adult	Homelessness, Criminal Justice, Mental Health
Center for Employment Opportunities Pennsylvania Pay for Success Project	2015	Allegheny County	PA	County	Adult	Criminal Justice, Workforce
Intercept (Youth Villages)	2015	Marion County, Multnomah County	OR	County	Youth	Criminal Justice
Youth Works MKE	2015	Milwaukee	WI	City	Youth	Criminal Justice
Housing, Education, and Employment Initiative	2015	San Diego County	CA	County	Youth	Criminal Justice
YouthStat	2015	New Haven	CT	City	Youth	Criminal Justice, Workforce
Sonoma County Early Childhood PFS	2015	Sonoma County	CA	County	Early Childhood	Abuse/Neglect
State of Connecticut	2015		CT	State	Early Childhood	Abuse/Neglect
Westminster Public Schools (Adams County School District)	2015	Westminster	CO	City	Early Childhood	Education

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Growing Home, Inc.	2015	Adams County	CO	County	Early Childhood	Education
"Hello Family" - A PFS Project in City of Spartanburg, SC	2015	Spartanburg	SC	City	Early Childhood	Education
Early Childhood Education in Clark County	2015	Clark County	NV	County	Early Childhood	Education
Pioneer Valley Asthma Coalition	2015	Hampden County	MA	County	Early Childhood/Youth	Education, Environment, Health
Grand Rapids Asthma Project	2015	Kent County	MI	County	Early Childhood/Youth	Environment, Health
Buffalo Asthma Project	2015	Buffalo	NY	City	Early Childhood/Youth	Environment, Health
Memphis Asthma Pay for Success Project	2015	Memphis	TN	City	Early Childhood/Youth	Environment, Health
Healthy Homes Salt Lake	2015	Salt Lake County	UT	County	Early Childhood/Youth	Environment, Health
Oregon Foster Care Project	2015		OR	State	Early Childhood/Youth	Foster Care
Salt Lake County Maternal and Child Health	2015	Salt Lake County	UT	County	Early Childhood	Health (Maternal and Child)

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Nurse-Family Partnership (NFP) San Francisco	2015	City and County of San Francisco	CA	County	Early Childhood	Health (Maternal and Child)
First 5 LA & Children and Families Commission of Orange County (CFCOC)	2015	Orange County	CA	County	Early Childhood	Health (Maternal and Child)
Nurse-Family Partnership Michigan Pay for Success Project	2015		MI	State	Early Childhood	Health (Maternal and Child)
South Carolina Nurse Family Partnership	2015		SC	State	Early Childhood	Health (Maternal and Child)
Baltimore Pay for Success Feasibility	2015	Baltimore	MD	City	General	General
State of New Mexico Human Services Department	2015	Bernalillo County, Santa Fe County, San Miguel County	NM	County	Adult	Health
New York State Department of Health	2015		NY	State	Adult	Health
Greenville Community Paramedicine Pay for Performance Model	2015	Greenville County	SC	County	Adult	Health
Care Houston Links	2015	Houston	TX	City	Adult	Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Volunteers of America Delaware Valley	2015	Camden County	NJ	County	Adult	Homelessness, Health
Veterans Coordinated Approach to Recovery and Employment	2015	New York City; Boston and Brockton, Massachusetts; and Central and Western Massachusetts	MA, NY	Region	Adult (Veterans)	Health, Workforce
Tuscaloosa Research and Education Advancement Corporation Veterans PFS	2015		Nationwide	Nationwide	Adult (Veterans)	Health, Workforce
Salt Lake County Homes Not Jail	2015	Salt Lake County	UT	County	Adult	Homelessness
HOPE San Francisco	2015	City and County of San Francisco	CA	County	Adult	Homelessness
Massachusetts Pathways to Economic Advancement	2015	Greater Boston Region	MA	Region	Adult	Workforce
Economic Development & Industrial Corporation of Boston/Office of Workforce Development	2015	Boston	MA	City	Youth	Workforce

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Year Up Pay for Success Initiative	2015		Nationwide	Nationwide	Youth	Workforce
Permanent Supportive Housing in Pima County, Arizona	2016	Pima County	AZ	County	Adult	Homelessness, Criminal Justice, Health
Rhode Island Permanent Supportive Housing PFS Project	2016		RI	State	Adult	Homelessness, Criminal Justice
Project on Youth Workforce Development	2016	Denver	CO	County	Youth	Homelessness, Criminal Justice
Northern Virginia SkillSource Group	2016	Prince William County	VA	County	Youth	Criminal Justice, Workforce
Crossover Youth Early Intervention	2016		CO	State	Youth	Criminal Justice
The San Diego Workforce Partnership	2016	San Diego	CA	County	Youth	Criminal Justice, Workforce
Children and Families Commission of Orange County	2016	Orange County	CA	County	Early Childhood	Abuse/Neglect
The Pomona Unified School District	2016	Pomona	CA	City	Early Childhood	Education
City of Evansville High Quality Pre-K	2016	Evansville	IL	City	Early Childhood	Education

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Clatsop County High Quality Preschool	2016	Clatsop County, Tillamook County	OR	County	Early Childhood	Education
Ventura County High Quality Preschool	2016	Ventura County	CA	County	Early Childhood	Education
Minnesota High Quality Preschool	2016		MN	State	Early Childhood	Education
Napa Valley High Quality Preschool	2016	Napa County	CA	County	Early Childhood	Education
Santa Clara High Quality Preschool	2016	Santa Clara County	CA	County	Early Childhood	Education
Mecklenburg County High Quality Preschool	2016	Mecklenburg County	NC	County	Early Childhood	Education
Cuyahoga County High Quality Preschool	2016	Cuyahoga County	OH	County	Early Childhood	Education
Legacy Charter School High Quality Preschool	2016	Greenville	SC	City	Early Childhood	Education
City of Tempe Human Services Administration	2016	Tempe	AZ	City	Early Childhood	Education, Health
Tennessee Commission on Children and Youth	2016		TN	State	Early Childhood	Education, Health
English Language Acquisition Feasibility Study	2016		Nationwide	Nationwide	Early Childhood	Education

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
New York City Asthma Project	2016	New York	NY	City	Early Childhood/Youth	Environment, Health
Chicago Asthma Pay for Success Project	2016	Cook County	IL	County	Early Childhood/Youth	Environment, Health
Philadelphia Asthma Project	2016	Philadelphia	PA	City	Early Childhood/Youth	Environment, Health
Rhode Island Asthma Project	2016		RI	State	Early Childhood/Youth	Environment, Health
Houston Asthma Project	2016	Harris County	TX	County	Early Childhood/Youth	Environment, Health
Connecticut Early Childhood	2016		CT	State	Early Childhood	Health (Maternal and Child)
Michigan Strong Beginnings	2016	Kent County	MI	County	Early Childhood	Health (Maternal and Child)
Lee Pesky Learning Center	2016		ID	State	Youth	Education
Reducing Unintended Pregnancies by Improving Access to Comprehensive Information of Contraceptive Options	2016		RI	State	Adult (Female)	Health
Washington State Health Care Authority	2016	Olympia	WA	State	Adult	Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
ICAST (International Center for Appropriate and Sustainable Technology)	2016		CO	State	Adult	Health, Affordable Housing
Moving to Work San Diego	2016	San Diego	CA	County	Adult	Homelessness, Health
Portland Housing Bureau	2016	Portland	OR	City	Adult	Health, Housing
Meals on Wheels America Baltimore Pay for Success Project	2016	Baltimore	MD	City	Adult (Seniors)	Health
Alameda County Asthma Project	2016	Alameda County	CA	County	Youth	Health
Alliance House	2016	Salt Lake City	UT	City	Adult	Health (Mental)
Workforce Solutions Capital Area	2016	Travis County	TX	County	Adult	Workforce
Career and Technical Education in San Diego	2016	San Diego	CA	City	Youth	Workforce
Career and Technical Education in Northwest Ohio	2016	Northwest	OH	Region	Youth	Workforce
Career and Technical Education in Dallas	2016	Dallas	TX	City	Youth	Workforce

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Career and Technical Education in the Rio Grande Valley	2016	Rio Grande Valley	TX	Region	Youth	Workforce
Boulder County Homelessness Systems Improvement Collaborative	2017	Boulder County	CO	County	Adult	Homelessness, Criminal Justice, Data, Health
Colorado Second Chance Housing and Re-entry Program	2017	Denver Metro Area	CO	County	Adult	Homelessness, Criminal Justice, Health
The Way Home	2017	Lane County	OR	County	Adult	Homelessness, Criminal Justice, Health
Anchored Home PFS Permanent Supportive Housing	2017	Matanuska-Susitna Borough, Municipality of Anchorage	AK	Region	Adult	Homelessness, Criminal Justice, Mental Health
Permanent Supportive Housing in Permanent Supportive Housing in Suburban Maryland	2017	Montgomery County, Prince George's County	MD	County	Adult	Homelessness, Criminal Justice, Health
Workforce Investment Network	2017	Memphis, Shelby County, and Fayette County	TN	County	Adult	Criminal Justice, Workforce

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Multi-Systemic Therapy Colorado Expansion	2017		CO	State	Youth	Criminal Justice
Tallahassee Early Learning Quality Rating System	2017	Tallahassee	FL	City	Early Childhood	Education
Safe Families for Children	2017		ME	State	Early Childhood/Youth/Families	Homelessness
Ohio Home Visiting	2017		OH	State	Early Childhood	Health (Maternal and Child)
Rate Cards in Riverside County	2017	Riverside County	CA	County	Early Childhood	Incarcerated Parents
Latin American Youth Center Promoter Pathway Model	2017	Washington	DC	City	Youth	Homelessness, Education, Health
New Hope Apartments	2017	Cook County, Lane County	IL	County	Families	Homelessness
Strengthening Families Fairfax	2017	Fairfax County	VA	County	Families	Education, Health
HER Salt Lake Contraceptive Initiative	2017		UT	State	Adult (Female)	Health
Institute on Aging	2017	Four northern California counties	CA	County	Adult	Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
National Kidney Foundation of Michigan's Diabetes Prevention Center	2017		MI	State	Adult	Health
Philadelphia Partnership Supportive Housing Demonstration (Project HOME)	2017	Philadelphia	PA	City	Adult	Homelessness, Health
Meals on Wheels America - Improving Health Outcomes	2017	Salt Lake County	UT	County	Adult (Seniors)	Health
NextWork Program Salt Lake City	2017	Salt Lake City	UT	City	Youth	Health (Mental)
San Diego Project re(Launch)	2017	San Diego	CA	County	Adult	Workforce
Charter Oak State College Adult Education	2017		CT	State	Adult	Workforce
Denver Collaborative Partnership	2017	Denver County	CO	County	Youth	Criminal Justice, Health
Fostering Opportunities	2017	Jefferson County	CO	County	Early Childhood/Youth	Foster Care
Chattanooga Asthma **Project**	2018	Chattanooga	TN	City	Early Childhood/Youth	Environment, Health

Project	Diffusion Year	Geography Location (City/County)	Geographic Location State	Level of Government	Issue Area Age Focus	Issue Focus
Cincinnati Fall Prevention Project	2018	Cincinnati	OH	City	Adult (Seniors)	Health
Philadelphia Works	2018	Philadelphia	PA	City	Adult	Workforce
Oregon Youth Development Pay for Success	2015, 2017	Portland	OR	State	Early Childhood	Education
Washington State Department of Early Learning and Thrive Washington	2015, 2017	Olympia	WA	State	Early Childhood	Education, Health
Oklahoma PFS Supportive Housing Project	2015, 2017		OK	State	Youth	Homelessness, Health
Richmond Asthma Project	2017, 2018	Richmond	VA	City	Early Childhood/Youth	Environment, Health

APPENDIX B

Interview Protocol

The below interview protocol includes the questions posed to the respondent. The phrases within the brackets provide indication of the type of data I sought to obtain from the respondent.

1. Can you share with me a little bit about your current job with your organization? (Prompts include: How did you come to work here? How long have you been here? What kinds of work do you do? How do you carry out your work?)
   [basic background info, available resources, access to decision makers]

2. I've identified you as someone who has engaged with Pay for Success financing in (case). Can you tell me how you first heard about Pay for Success?
   [identify the source of actor's knowledge about PFS- individual, meeting, conference, news, etc., process of diffusion]

3. What is it about Pay for Success that encouraged you to get involved with it? [and/or] Why did you (your organization) begin engaging in PFS efforts (or Why did you engage in PFS at (insert case])?)
   [identify why actors are involved, what benefits the organization/actor receive, process of diffusion, identify internal/external determinants, framing of PFS]

4. Can you talk a little bit about the role that you have played in bringing PFS to (or promoting it in) (insert case site) and/or spreading PFS across the U.S.?
   [identify role of actor/organization, policy entrepreneurship, and factors associated with actors (i.e., resources, access, strategy), process of diffusion]

5. In your promotion of/engagement with PFS can you identify anything that specifically enabled you to help its adoption in (case site)? (If prompting is needed) For instance, any unique knowledge, resources, access, etc.?
   [policy entrepreneurship, factors associated with actors (i.e., resources, access, strategy)]

6. Can you please tell me how you interact with the decision makers (e.g., elected officials, etc.) involved with adopting PFS?
   [identify relationship to and access to decision makers]

7. Can you identify any reasons why PFS was adopted by (case site) when it was?
   [identify internal/external determinants]

8. As you know, there are many engaged in Pay for Success initiatives (i.e., government, service providers, investors, intermediaries, evaluators, and the population being served). Is there one sector or actor within a sector that was crucial to PFS adoption in (case site)? and/or Are there other

people/organizations that you can identify as playing a critical role in bringing PFS to (or promoting it in) (insert case site) and/or spreading PFS across the U.S.? [policy entrepreneurship, identify sector representation and role in PFS, define relationship between actors, identify internal/external determinants]

9. Can you talk a little bit about the role that you see various levels of government (federal, state, local) play in promoting Pay for Success as a policy tool? [identify actors/levels of government engaged in PFS diffusion]

10. What do you think would help further Pay for Success as a policy tool in the US? Are there certain barriers in place that are preventing it from being more widely adopted?
    [framing of PFS, identify factors associated with diffusion]

11. What do you see in the future for Pay for Success?
    [how actor frames PFS]

12. As you think about our conversation today, are there things I am missing or misunderstanding about this issue? Is there anything else I should be considering?
    [open ended for discovery of other emerging themes/theories]

13. Can you please help me identify other individuals or organizations I should connect with regarding this research?
    [Identify additional actors engaged in PFS diffusion]

APPENDIX C

Recruitment Email

Below is an example of the type of recruitment email I sent to potential interviewees. Identifying information has been redacted.

Vanessa Fry <vanessafry@boisestate.edu> Wed, May 17, 2017, 3:34 PM

to [redacted]

[redacted]:

Hi there. I hope all is well. I wanted to get in touch with you to see if you could help direct me to the right person to speak with at [redacted] regarding the firm's involvement with Pay for Success. As a reminder, we met at the Innovation Summit in SLC in January (we sat together for breakfast one morning and I shared a discount lift ticket website with you). When we were talking I mentioned I was conducting research on Pay for Success for my PhD. I'm now in the phase of interviewing the actors who I've seen in playing a pivotal role in the speak of PFS across the US and I've identified [redacted] as being such an actor.

I'm going to be in NYC early next week. I believe you're in the Chicago office, but if you could help connect me with someone to speak with while I'm in NY I would be extremely grateful.

Thanks, in advance, for your help.

Best,
Vanessa

Vanessa Crossgrove Fry
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Assistant Research Professor, School of Public Service
Boise State University
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APPENDIX D

Issue Areas of Pay for Success Projects

Issue	Number	Grouped Issues	
Abuse/Neglect	3	Abuse/Neglect	2.1%
Criminal Justice	16		
Criminal Justice, Education	1		
Criminal Justice, Female	1	Criminal Justice	19.9%
Criminal Justice, Health	3		
Criminal Justice, Workforce	8		
Education	21		
Education, Environment, Health	2	Education	18.5%
Education, Health	4		
Environment	1	Environment	8.9%
Environment, Health	12		
Foster Care	2	Foster Care	1.4%
General	2	General	1.4%
Health	13		
Health (Maternal and Child)	10		
Health (Mental)	3	Health	20.5%
Health, Affordable Housing	1		
Health, Housing	1		
Health, Workforce	2		
Homelessness	6		
Homelessness, Criminal Justice	4		
Homelessness, Criminal Justice, Data, Health	1		
Homelessness, Criminal Justice, Health	6		
Homelessness, Criminal Justice, Health,	1	Homelessness	19.2%
Homelessness, Criminal Justice, Health, Workforce	1		
Homelessness, Criminal Justice, Mental Health	2		
Homelessness, Education, Health	1		
Homelessness, Health	6		
Incarcerated Parents	1	Incarcerated Parents	0.7%
Workforce	11	Workforce	7.5%
Grand Total	**146**		**100.0%**

APPENDIX E

Federal Pay for Success Legislation

Legislation	Year	Issue Area	Agency	Description
Edward M. Kennedy Serve America Act	2009, 2012	General	Corporation for National and Community Service	Authorized the Social Innovation Fund to support Pay for Success initiatives.
Second Chance Act	2008, 2012	Criminal Justice	U.S. Department of Justice	Gives priority consideration to proposals that use a Pay for Success approach.
Workforce Innovation and Opportunity Act (WIOA)	2014	Workforce	U.S. Department of Labor	Allows state and local workforce investment boards to allocate up to 10% of grant funds to Pay for Success projects.
Every Student Succeeds Act	2015	Early Childhood Education and Care and Public Education	Department of Education	Authorizes Pay for Success as an allowable use of state and local funds for certain programs
Fixing America's Surface Transportation Act (FAST Act)	2015	Housing	Housing and Urban Development	Allows performance-based agreements (Pay for Success) that result in a reduction of energy or water costs.
Social Impact Partnerships to Pay for Results Act (SIPPRA)	2018	General	U.S. Treasury	Provides funding to state and local governments to support Pay for Success projects. It established the Federal Interagency Council on Social Impact Partnerships and the Commission on Social Impact Partnerships to assist with these projects
Bipartisan Budget Act of 2018	2018	Health Initiative	Health Resources and Services Administration	Authorizes states to use up to 25% of their Maternal, Infant, and Early Childhood Home Visiting Program grant funds to enter into public-private Pay for Success agreements.