Cuyahoga County Executive Ed FitzGerald introduces plan to use new fundraising model to pay for social services

Cuyahoga County Executive Ed FitzGerald on Thursday introduced legislation that would use a 'pay for success' fundraising model to pay for a program to help homeless women and their children. (Lisa DeJong, The Plain Dealer)

CLEVELAND, Ohio -- Private investors could make a profit underwriting Cuyahoga County's efforts to help homeless women and their children, under a new program formally introduced on Thursday by County Executive Ed FitzGerald.

FitzGerald announced legislation that would create a county 'pay for success' program, which would be funded by a $780,000 grant from the Texas-based Laura and John Arnold Foundation.

The program is meant to help 33 homeless women gain housing and either retain or regain custody of their children. Local non-profit Frontline Service, Inc. will oversee the program, which is meant to save the county money by reducing the county's foster care costs.

"Pay for success" refers to a model of raising money, which blurs the line between donations and investments. The model is also referred to as "social impact bonds," and originated in the United Kingdom. Lately, it's attracting interest in the United States within academic, government and philanthropic circles.
While the $780,000 grant will help launch the program, future investors could receive a return on their investment if the program is successful in achieving its goals.

Last December, FitzGerald announced his plans to pursue a pay for success program. The legislation he announced Thursday is co-sponsored by County Councilman Dale Miller.

"With our state facing so many urgent challenges today, it's especially important that we ensure constituents are getting the best, most effective services possible," FitzGerald said in a written statement. "Cuyahoga County's Pay for Success effort will allow us to integrate child welfare and homeless systems to better serve vulnerable families and implement new solutions with no risk to the taxpayers. This is the kind of smart, efficient model that every level of government should strive towards."

*This story was revised on Friday to clarify that the program is being funded by a grant that will not eventually be repaid.*