

Pay for Success

in the Chesapeake Bay

March 3, 2025



ENVIRONMENTAL POLICY
INNOVATION
— CENTER

Hello

my name is

Pay for Success

Environmental/Social Impact Bond

Pay for Outcomes

Full Delivery

Outcomes-Based Procurement

Turn-Key

Pay for Performance

Pay for Results

Performance-Based Contracting

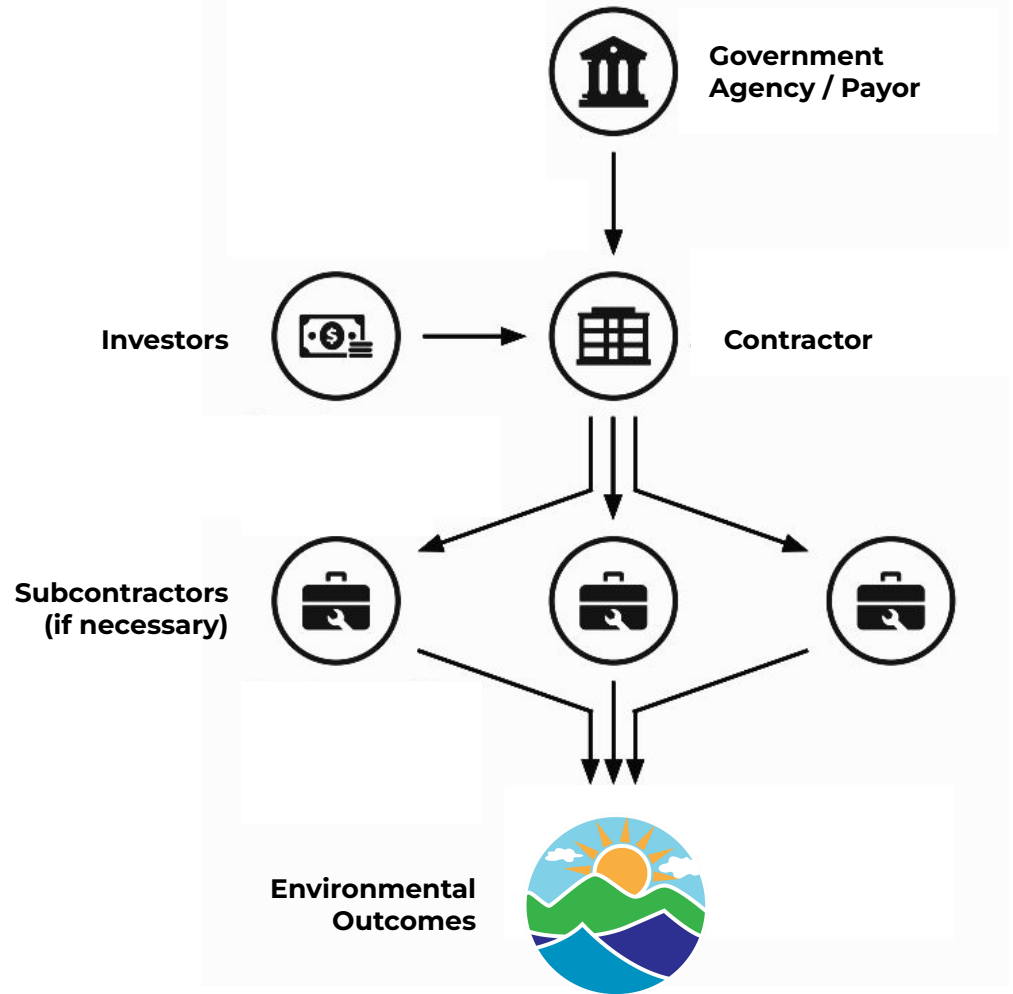
P4P / PFS

Pay for Success








Flow of Money:

- Investors finance the contractor
- Contractors pay staff, materials, etc. and subcontractors
- Once project is delivered, Government pays Contractor
- Contractor pays back investors



The 5 Golden Rules of Pay for Success

1. Time it right.  Find ways to hold money for 5-10 years
2. Don't sweat the small stuff.  Offloading risk means no micromanaging
3. Define success.  Set clear, quantifiable metrics
4. Pay for what you get.  Use a per-unit pricing model
5. Scale to win.  Prioritize lowest price per-unit proposals vs. lowest cost overall

Optimal Payment Schedules

Too Risky



Just Right



Too Costly



We recommend a payment schedule that provides approximately **40-60%** at the time construction is completed.

And reserving the remaining **40-60%** for after desired outcomes are achieved.



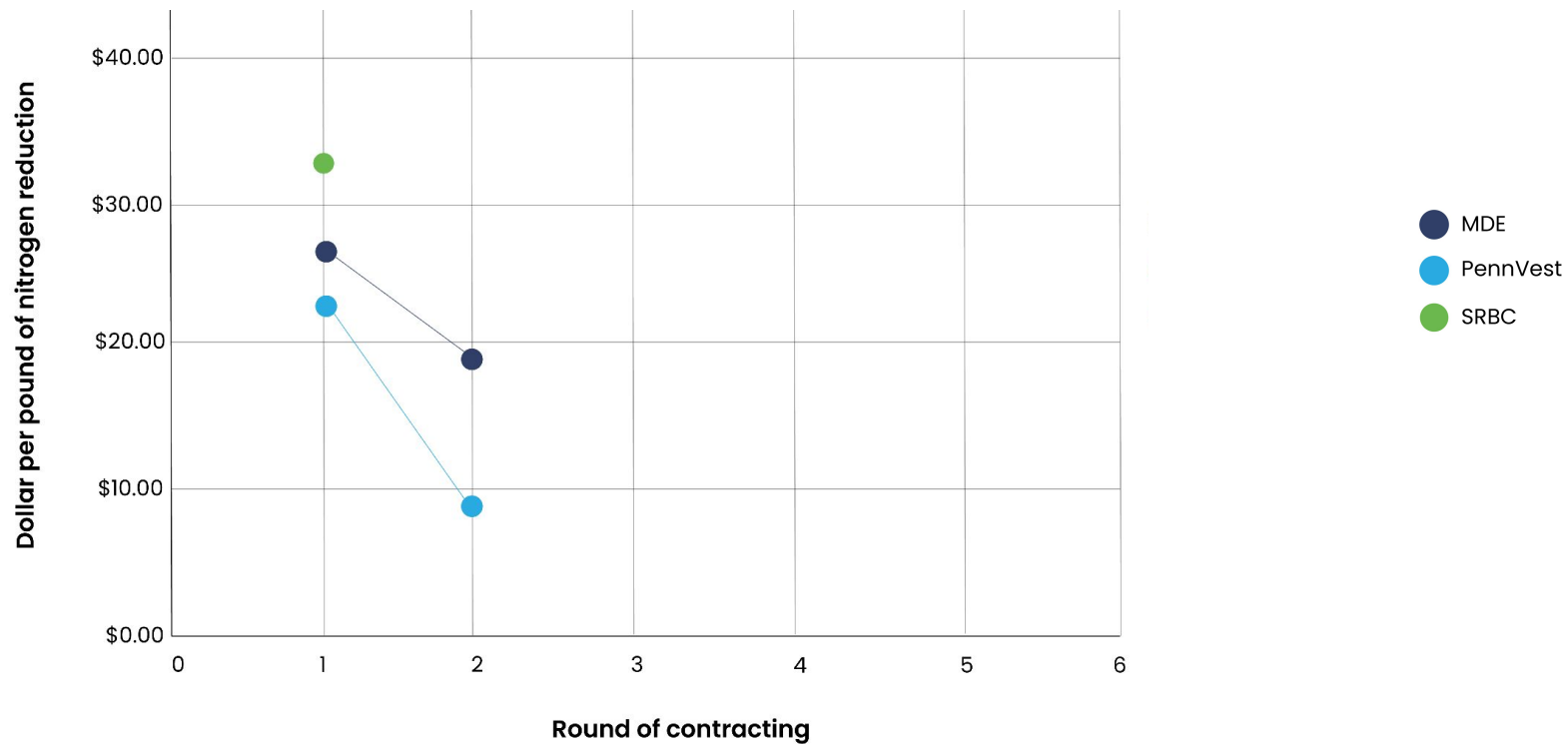
A BALANCING ACT

Optimizing Payment Schedules in Environmental
Pay for Success Contracts

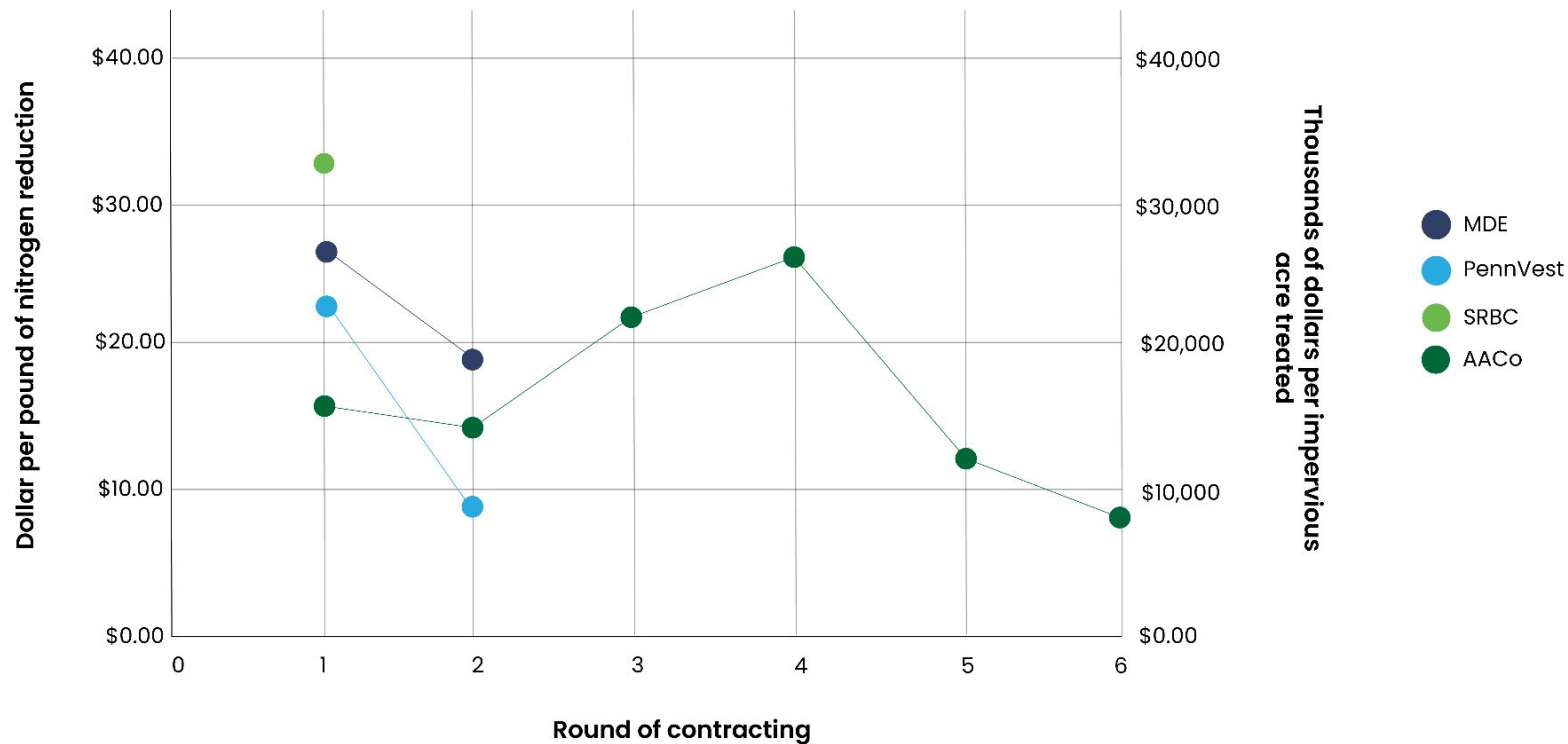
Overview of Programs

	Average Cost per lb N	Who is Buying	Priorities	Quantification Plan	Authorized in
Clean Water Commerce	\$20.85	Maryland Dept. of Environment	<ul style="list-style-type: none"> Locally impaired watershed P and sediment reductions Alleviation of environmental injustice Climate mitigation and adaptation 	CAST	2021
Clean Water Procurement	\$15.57	Pennvest	<ul style="list-style-type: none"> Locally impaired watershed Tier 1 Chesapeake Bay county “Small farms”=not CAFOs Community/environmental benefits Fiscal/managerial viability of entity 	Chesapeake Bay Nutrient Trading Tool	2022
Conowingo Pay for Success	\$30.94	Maryland Dept. of Environment via Susquehanna River Basin Commission	<ul style="list-style-type: none"> Located in Maryland Dredging Most effective basin 	CAST	2023
Pay for Outcomes	TBD	Virginia Dept. of Environmental Quality	<ul style="list-style-type: none"> Success confidence Habitat and resilience benefits Readiness to proceed Local government coordination 	<ul style="list-style-type: none"> Water quality monitoring; Statistically-significant sampling, or “Output” measurement. 	2024

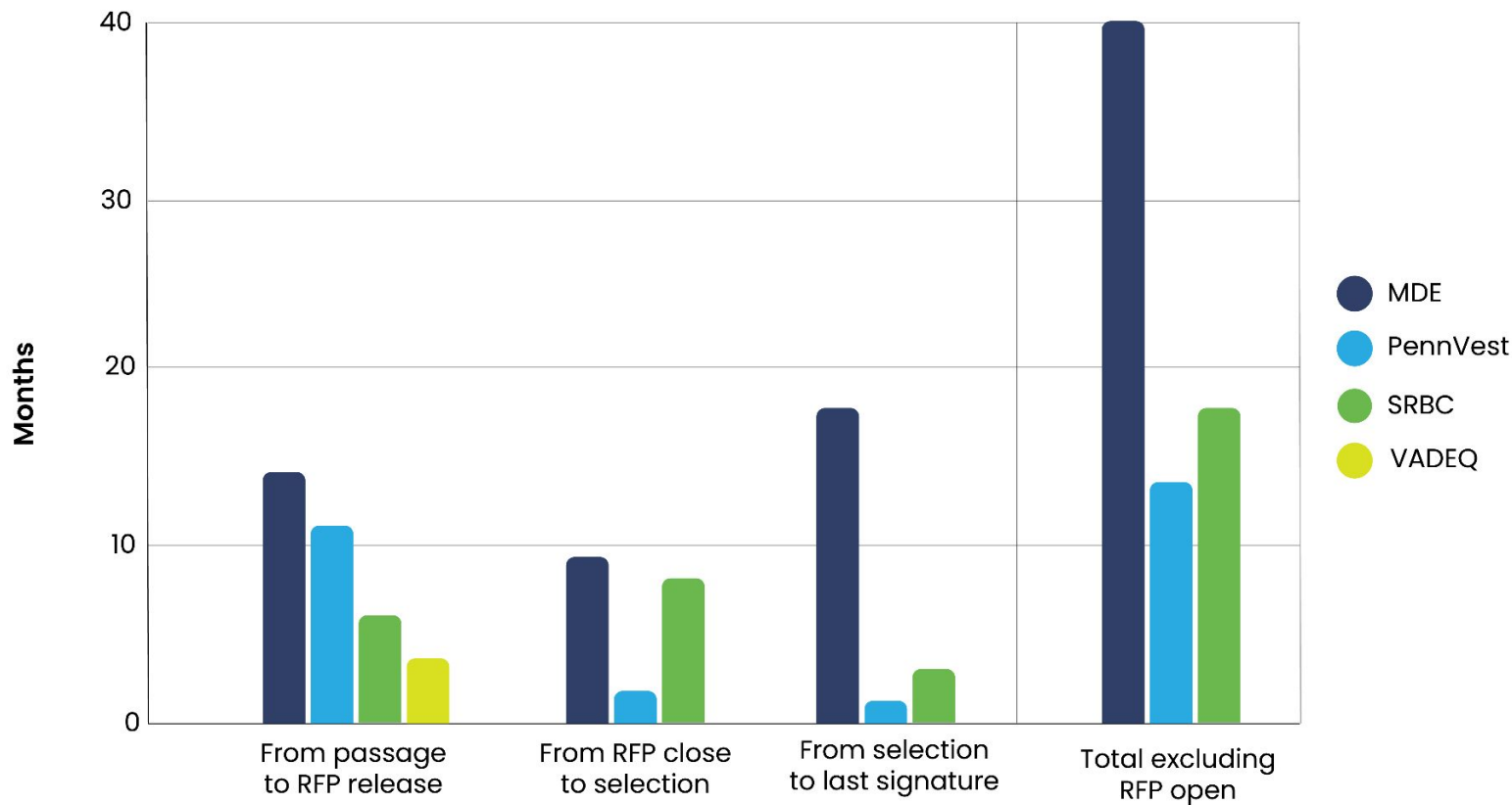
What's it cost?



What will it cost?



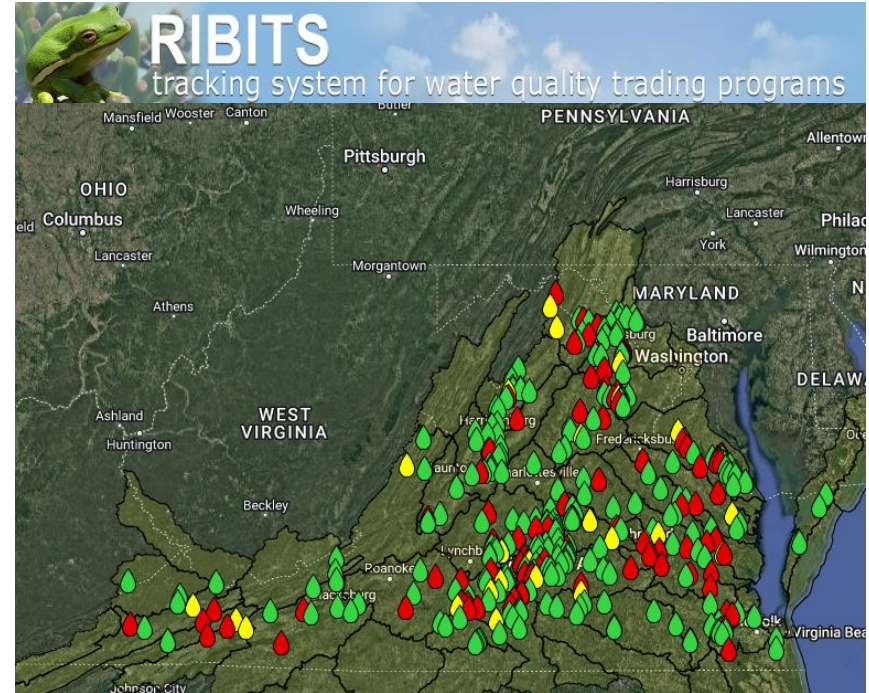
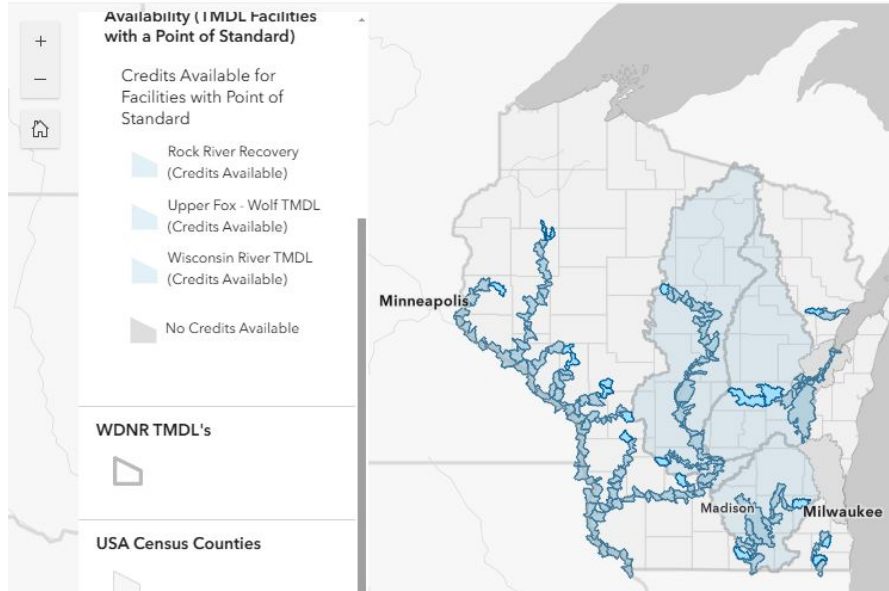
How long does it take to sign the first round of contracts?



A Vision: The First-Ever “Success First” WIP



Wisconsin Nutrient Credit Availability



What would it take?

You're already
halfway there!

1. Determine fiscal sponsor
2. Agree on quantification standards
3. Harmonize priorities
4. Create a solicitation
5. Create a platform
6. Anticipate issues
7. Move quickly and consistently



Case Studies of Performance-based RCPP Projects

RCPP Project	Location	Awardee	Outcome	Model	Funding
Vermont Pay-for-Phosphorus Program	Vermont	Vermont Agency of Agriculture, Food, and Markets	Phosphorus	FarmPREP for APEX	\$7M
Soil and Water Outcomes Fund	Priority watersheds within Iowa, Illinois, Indiana, Missouri, and Ohio	Reharvest Partners	Nitrogen and phosphorus	Nutrient Tracking Tool	\$15.8M
Maryland Clean Water Commerce Outcomes	Chesapeake Bay watershed in Maryland	Environmental Policy Innovation Center	Nitrogen	Chesapeake Assessment Scenario Tool	\$2.7M
Saginaw Watershed ASSET Program	Saginaw Bay watershed in Michigan	The Nature Conservancy	Sediment	SEDMOD and Revised Universal Soil Loss Equation	\$1.9M
Financing Climate Smart Agriculture in Ohio's Miami Valley	Miami, Montgomery, Champaign, Clark, Greene, and Clinton counties in Ohio	one.two.five Benefit Corp.	Soil organic carbon	Direct measurement	\$2.9M
Drought Resilience Incentive Program	Lake Pallopinto, Lake Brownwood, and Lake OH Ivie watersheds in Brown County, Texas	Pecan Bayou Soil and Water Conservation District	Consumptive water use	Soil & Water Assessment Tool and Ecological Dynamics Simulation	\$1.8M

Resources



Scan & Bookmark Me!

More Information:

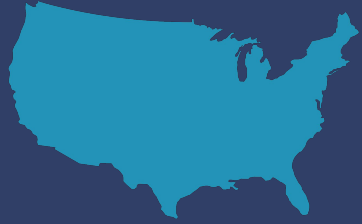
policyinnovation.org/procurement-finance/pfs

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Pathways Forward



FEDERAL

expand SIPPRA



official guidance



broad legislation (ex WRDA)



pilot programs



STATE-BY-STATE

pilot programs



state legislation



better communication



CROSS-CUTTING STRATEGIES

suite of templates



case studies



idea socialization



analysis & evaluation



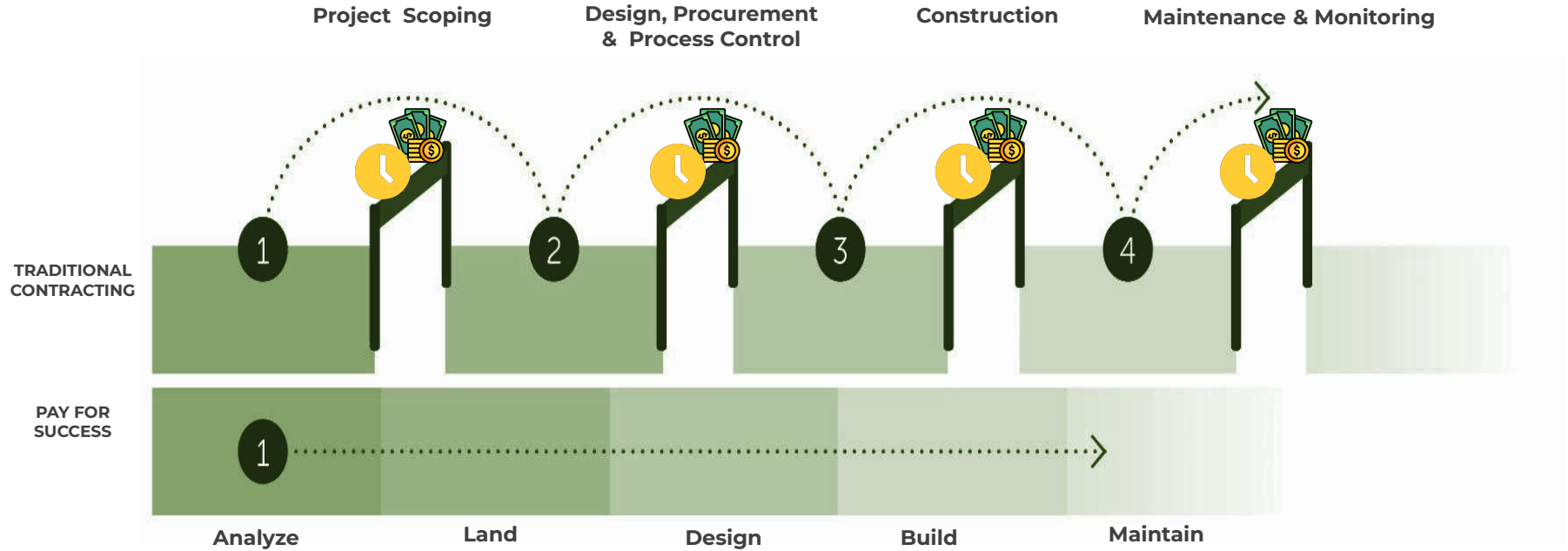
level of difficulty



This really
matters.

- Costs taxpayers more money
- + Administrative burden on agency staff & contractors
- Extraordinary time delays

How it works & major differences



Where we're at:

States are choosing to adopt new contract structures.

