PAY FOR SUCCESS INITIATIVES FOR EARLY CHILDHOOD PROGRAMS: AN OVERVIEW

May 19, 2016
NCSL Early Learning Fellows
Omaha, Nebraska

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Executive Vice President

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Social Impact Bonds: Key Features

Investors front capital to implement proven, cost-effective programs on a large scale

Government contracts to pay only for agreed-on, measurable RESULTS; payments repay investors

An impartial evaluator assesses whether results are achieved. An intermediary contracts with govt., investors & providers
ICS Technical Assistance

Home Visiting
- Washington
- Sonoma
- Tennessee

Preschool/Early Literacy
- Sonoma
- Spartanburg, SC
- Tempe, AZ
- Evansville, IN

Child Welfare
- Connecticut
- Orange County, CA
SOUTH CAROLINA
Nurse-Family Partnership Pay for Success Project
South Carolina Pay for Success Project

The People

• 3,200 first-time mothers
• Low-income

The Program

• Home visits by specially trained nurses from early pregnancy until child is 2
• Support for maternal and child health and wellbeing
The Outcomes

- Preterm births
- Child hospitalization and ED use for injury
- Healthy spacing between births to 24 months
- Number of moms in high-poverty zip codes served
# Funders

<table>
<thead>
<tr>
<th>Funder</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlueCross BlueShield of SC Fdn</td>
<td>$3.5 million</td>
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<tr>
<td>The Duke Endowment</td>
<td>$8 million</td>
</tr>
<tr>
<td>The Boeing Company</td>
<td>$800,000</td>
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<tr>
<td>Consortium of private funders</td>
<td>$4 million</td>
</tr>
<tr>
<td>Greenville First Steps</td>
<td>$700,000</td>
</tr>
<tr>
<td>SC Medicaid (through 1915(b) Medicaid waiver)</td>
<td>$13 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$30 million</strong></td>
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</tbody>
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Pay for Success Financing Example:
CHICAGO
Child-Parent Center Initiative
## Chicago Pay for Success Initiative

### The Children
- 2,618, 4-year-olds
- Chicago Public School children
- Eligible for free or reduced lunch

### The Program
- Child-Parent Center preschool model:
  - Preschool education
  - Comprehensive family services
The Outcomes

- Kindergarten readiness
- Special education
- Third grade literacy
# Investors

<table>
<thead>
<tr>
<th>Investor</th>
<th>Seniority</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Goldman Sachs Social Impact Fund</td>
<td>Senior</td>
<td>7.5 million</td>
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<tr>
<td>Northern Trust</td>
<td>Senior</td>
<td>5.5 million</td>
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<tr>
<td>Pritzker</td>
<td>Subordinate</td>
<td>3.9 million</td>
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<tr>
<td></td>
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<td>16.9 million</td>
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</tbody>
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Payment Terms

- Kindergarten readiness: $2,900 per student
- 3rd grade literacy: $750 per student
- Special education: $9,100 per student per year

Max Payout: $34 million Over 17 years
Interest in Early Childhood PFS Financing

Interest in PFS for Early Childhood
Emerging PFS Financing Projects

<table>
<thead>
<tr>
<th>Completed transactions</th>
<th>Procurement/ Negotiations</th>
<th>ICS Feasibility Studies in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td>Michigan</td>
<td>Connecticut</td>
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<tr>
<td>Utah</td>
<td>Salt Lake County</td>
<td>Greenville, SC</td>
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<td></td>
<td>South Carolina</td>
<td>Sonoma County, CA</td>
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<tr>
<td></td>
<td></td>
<td>Spartanburg, SC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Washington</td>
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</table>
Resources on Pay for Success Financing

- Nonprofit Finance Fund: payforsuccess.org/
- Institute for Child Success: pfs.instituteforchildsuccess.org/
- Sorenson Impact Center: http://sgiicenter.com
- Social Finance US: socialfinanceus.org/
- Third Sector Capital Partners: thirdsectorcap.org/
- Harvard Kennedy School SIB Lab: hks-siblab.org/