

Social Impact Finance for Early Childhood Development

National Conference of State Legislatures
Early Learning Fellows Conference
May 15, 2014

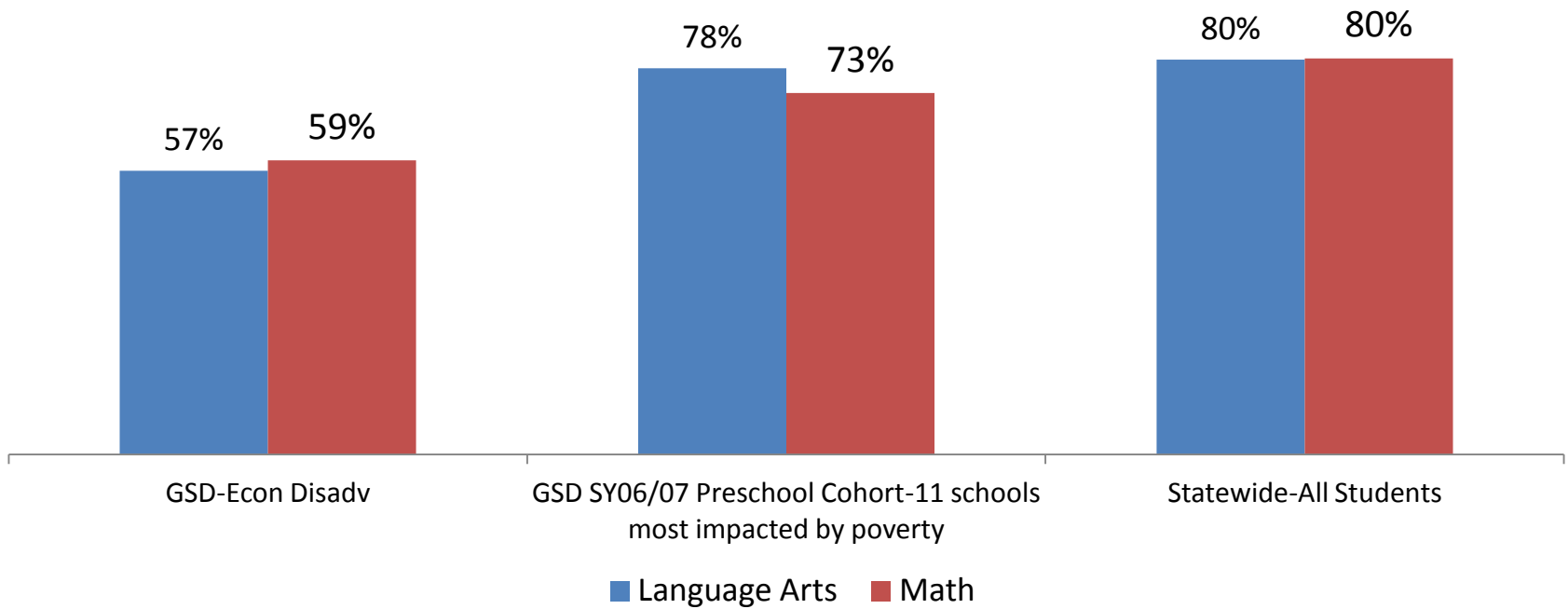
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High Quality Preschool Closes the Achievement Gap

Evidence from the Granite School District in Utah

**2013 5th Grade CRT
 Percent Proficient**



Applying “Pay for Success” Social Impact Finance to Early Childhood Development

- Early childhood research shows a significant reduction in special education assignment for low income children who attend high quality prekindergarten. Reduction in special education costs may be sufficient to pay for a prekindergarten PFS project.
- In addition to reductions in special education, sources of short and long term cost avoidance for government include grade retention, crime, welfare, and increased earnings.



Early Childhood Development PFS Economics

- There are three important relationships in a PFS project for high quality prekindergarten:
- (1) the ratio of the cost of the intervention (prekindergarten) to the cost of the remediation (special education).
- (2) the ratio of intervention impact to non-intervention impact.
- (3) the combination of private investor funding, state funding, and federal funding for PFS scholarships for economically disadvantaged children to attend high quality prekindergarten.





The Utah Social Impact Loan for High Quality Preschool The Process

- Partnership with the United Way of Salt Lake (UWSL) and Granite Preschool Services. Philanthropic relationship between UWSL and Goldman Sachs Bank.
- The Sustainable Financing Model for High Quality Preschool :<http://www.utahchildren.org/issues/early-care-and-education>
- Longitudinal research quantifying cost avoidance in special education and academic performance outcomes.
- Demonstration of the economics of an potential investment and the collaboration with Goldman Sachs and Imprint Capital.



The First Social Impact Loan for High Quality Preschool in Utah

- Lenders: Goldman Sachs Urban Investment Group is the senior lender; J.B. Pritzker is the subordinated lender.
- Providers: Granite School District, Park City School District, the Guadalupe School (charter), YMCA (non profit), Childrens' Express (daycare center). Lit'l Scholars (daycare center).
- The United Way of Salt Lake and Salt Lake County capitalized a repayment fund to repay the investors based on special education cost avoidance.
- The United Way of Salt Lake is the intermediary.



The First Social Impact Loan for High Quality Preschool in Utah

- 600 additional economically disadvantaged 3 and 4 year olds are currently enrolled in preschool who would not have had access otherwise!!
- Only the first cohort of five cohorts is funded in the “proof of concept.”
- HB96 – Utah School Readiness Initiative passed during the 2014 General Legislative Session.
 - Quality grants to public and private early education providers
 - Results Based financing (social impact loans) for high quality programs with proven outcomes



Social Impact Finance and Early Childhood Development

- “Financing Human Capital Development for Economically Disadvantaged Children: Applying “Pay for Success” Social Impact Finance to Early Childhood Development”

Ready Nation Working Paper: authors: Janis A. Dubno, Robert H. Dugger, and Michele R. Smith

- Link to the full paper

http://www.readynation.org/uploads/db_files/RN%20PFS%20Finance%20Dubno%20Dugger%20Smith%20Paper%20130610.pdf



Conclusions

- PFS financing structures can work for high quality early childhood programs for economically disadvantaged children with proven success.
- Different combinations of state, federal and investor funding can leverage returns to the state and investor.
- More research regarding cost avoidance is needed.





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