

Pay for Success in the U.S.

Summaries of Financed Projects

July 2015



INSTITUTE for CHILD SUCCESS

Pay for Success financing, also called “Social Impact Bonds,” can bring new resources, new partners and a new focus on outcomes to early childhood services and other important issues. Today, there are more than 50 Pay for Success projects in development in the U.S. As the field grows, the Institute for Child Success and Living Cities are committed to learning what works and how PFS might contribute to our efforts as we work to open source social change and improve outcomes for our youngest children. This chart presents parties, financing, evaluation, timeframe and expected impact for the six Pay for Success transactions that have been implemented in the United States so far. We look to you to hear where we got it right, where we got it wrong and how to make this more useful for the diverse set of stakeholders in the emerging outcome-based social service contracting and Pay for Success fields.

A special thanks to leaders in the field who contributed to the final project at Social Finance US, Third Sector Capital Partners, Utah Granite School District, Voices for Utah Children, IFF, Chicago Public Schools, Goldman Sachs, New York City Mayor’s Office and Center for Employment Opportunities.

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Chicago Child-Parent Center Initiative

Policy Area	Education / Early Childhood
Policy Problem	Research shows that children who receive high-quality early education are more likely to succeed in school and less likely to need special education services.
Jurisdiction (Implementation Sites)	Chicago public elementary schools (initially 6, increasing to 8)
Who is Paying for the Outcomes?	<ul style="list-style-type: none"> • Chicago Public Schools (CPS) • City of Chicago
Organization(s) Delivering Services	Chicago Public Schools
Intervention	Child-Parent Center (CPC) preschool model: Half and full day preschool education to three- and four-year olds as well as comprehensive family services (PFS transaction funds the program for 4-year-olds)
Approximate Program Cost per Participant	
Intermediary: Coordinator & Borrower	IFF (Metropolitan Family Services will provide quality assurance support)
Program Evaluator	SRI International
Validator	None
Outcome Metric(s)	<ul style="list-style-type: none"> • Increase kindergarten readiness • Decrease special education services • Increase third grade literacy
Evaluation Design	Quasi-Experimental: comparison group comprised of children who enter kindergarten who have never enrolled in a preschool program
Target Population (criteria and size)	2,618 4-year-old Chicago Public School children eligible for free or reduced lunch: Year 1 (374), Year 2 (782), Year 3 (782) Year 4 (680)
Size of Investment	\$16.9 million
Total Payments Possible	\$34 million

<p>Term / Timeframe (intervention and evaluation)</p>	<p>17 years:</p> <p>Years 1-4: CPS will enroll CPC participants, each enrolled for one year</p> <ul style="list-style-type: none"> Kindergarten readiness will be measured once for each cohort at the end of preschool Special education services will be measured annually through 6th grade for each cohort 3rd grade literacy will be measured once for each cohort in 3rd grade <p>Payments will be made on special education savings annually through 12th grade. Senior lenders will receive payouts first, through 2022. Subordinate lender gets payouts after 2022 for additional special education savings until the final cohort completes 12th grade.</p>
<p>Investors: Deal Structure / Capital Stack (annual return if available)</p>	<ul style="list-style-type: none"> Senior Debt: \$7.5 million Goldman Sachs Social Impact Fund Senior Debt: \$5.5 million Northern Trust Subordinate Debt: \$3.9 million J.B. and M.K. Pritzker Family Foundation Finnegan Family Foundation (funding evaluation)
<p>Payment Terms - Risk Sharing</p>	<p>Risk shifted to private sector</p>
<p>Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.</p>	<p>Decrease in special education: \$9,100/student annually compounding at an annual rate of 1.0% for each student who avoids special education after attending the CPC program</p> <p>Increase in kindergarten readiness: \$2,900 for each student that is prepared for kindergarten after attending the CPC program</p> <p>Increase in the third grade literacy: \$750 for each student that scores above the national average on the nationally administered third grade reading test</p>
<p>Date Announced</p>	<p>10/7/14</p>
<p>Implementation Start</p>	<p>December 2014</p>
<p>Interim Outcome Dates</p>	<p>Annually beginning fall 2016</p>
<p>Legislation for Appropriation Risk</p>	<p>No</p>

Other Notes

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Cuyahoga County Partnering for Family Success

Policy Area	Homelessness, Child Welfare
Policy Problem	<p>Extended time in the child welfare system results in poor outcomes for the County's most vulnerable children and leads to higher costs to the County.</p> <p>Providing caregivers access to housing as well as emotional and practical support before they are reunited with their children allows reunification decisions to happen sooner and children to exit foster care earlier.</p>
Jurisdiction (Implementation Sites)	Cuyahoga County, Ohio
Who is Paying for the Outcomes?	Cuyahoga County, Ohio
Organization(s) Delivering Services	FrontLine Service, The Cuyahoga Metropolitan Housing Authority, Emerald Development and Economic Network Inc, Famicos Foundation
Intervention(s)	<ul style="list-style-type: none"> • Critical Time Intervention (CTI), an evidence-based case management model for homelessness transition • Housing resources • Individual and family-based trauma therapy
Approximate Program Cost per Participant	
Intermediary: Coordinator & Borrower	Enterprise Community Partners is the project coordinator with transaction development and advisory support from Third Sector Capital Partners, through Cuyahoga PFS, LLC.
Program Evaluator	The Center on Urban Poverty and Community Development at the Jack, Joseph and Morton Mandel School of Applied Social Sciences at Case Western Reserve University
Validator	N/A
Outcome Metric(s)	Length of stay in out-of-home foster care
Evaluation Design	Eligible families, as identified by Cuyahoga County's Homelessness Management Information System (HMIS) and the Domestic Violence and Child Advocacy Center and Emergency Shelter (DVCAC), are randomly assigned to a treatment or control group at the point of referral. Success will be gauged by the reduction in the combined number of out-of-home placement days for children in the treatment group versus the control group. Three cohorts will participate in the program over the course of four years; each cohort will be treated for 12–15 months. Cohort One will be observed for the full five years, while Cohorts Two and Three will be observed for four and three years, respectively. The non-observed days in Cohorts Two and Three will be forecasted according to the intervention performance of the first cohort.
Target Population (Criteria and Size)	135 caregivers identified as homeless, who have children currently in Department of Children and Family Services (DCFS) temporary out-of-home placement.

Size of Investment	\$4 million
Total Payments Possible (Investment & Return)	\$5 million (\$4 million + 1 million maximum return over)
Term / Timeframe (Intervention & Evaluation)	12–15 months of intensive treatment to 135 families, enrolled over the course of 3 years. Total project duration 5 years (4 years delivering intervention and 1 year wind-up in which success payments are calculated).
Investors: Deal Structure/ Capital Stack (Annual Return if Available)	<p>Senior Debt: \$1,575,000, The Reinvestment Fund (5%)</p> <p>Subordinate Debt: \$725,000 (2%); \$275,000 (0%); The George Gund Foundation \$325,000; Nonprofit Finance Fund (2%) \$750,000; The Cleveland Foundation (2%) \$150,000 (recoverable grant); \$200,000 (2%); Sisters of Charity Foundation of Cleveland</p>
Payment Terms: Risk Sharing Structure	Risk 100% shifted as payment is made based on overall reduction of out-of-home foster care days for treatment vs. control.
Payment Terms: Details on Payment per Outcome, Payment Period	Success Payments will be based on the difference in out-of-home placement days avoided between the control group and the treatment group. The payments will equal \$75 per child per reduced out-of-home placement day. The final outcome will be calculated after intervention services have ended in December 2018 (Q16). Payments will be made in January or February of 2020 (first 45 days of Q21).
Date Announced	December 3, 2014
Implementation Start	September 2014 (Pilot) January 2015 (PFS project)
Interim Outcome Dates	None
Legislation for Appropriation Risk	Yes, Ordinance No. 02014-0018, effective July 2014
Other Notes	N/A

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Massachusetts Recidivism Reduction and Employment

Policy Area	Criminal Justice, Employment
Policy Problem	Currently in Massachusetts, 64% of young male ex-offenders reoffend within five years, and historically, only 35% of these young men are employed within a year of release. Among those employed, average annual earnings were only about \$5,000 one year after release.
Jurisdiction (implementation sites)	<ul style="list-style-type: none"> • Boston, MA • Chelsea, MA • Springfield, MA
Who is Paying for the Outcomes?	<p>The Commonwealth of Massachusetts will be the primary payor for a total of \$27 million.</p> <p>The U.S. Department of Labor also provided the Commonwealth with a Pay for Success grant of \$10,770,000 million and will pay for expanding the project, if successful, to an additional 390 participants.</p>
Organization(s) Delivering Services	Roca Inc.
Intervention	Roca's model, based on proven behavioral change theories, trains high-risk young men in job readiness, educational readiness, and life skills.
Approximate Program Cost per Participant	\$23,000 per person over 4 years
Intermediary: Coordinator & Borrower	Third Sector Capital Partners, Inc. through Youth Services, Inc.
Program Evaluator	Sibalytics LLC and The Urban Institute
Validator	Public Consulting Group
Outcome Metric(s)	(1) Reduce bed-days in incarceration. Secondary outcome metrics: (2) increase job readiness and (3) increase employment.
Evaluation Design	Randomized Controlled Trial
Target Population (criteria and size)	929 participants: Men, aged 17-24 on probation or parole, or incarcerated or exiting the juvenile justice system as high-risk according to the project's eligibility criteria
Size of Investment	\$21.3 million
Total Payments Possible (investment & possible success payments)	\$27 million (includes cost of intermediary and evaluation)

Term / Timeframe (intervention and evaluation)	<p>7 years:</p> <p>Years 1-4: Program enrollment</p> <p>Years 5-6: Final cohorts complete Roca’s programming</p> <p>Year 7: Final time for evaluation</p>	
Investors: Deal Structure/ Capital Stack (annual return if available)	<ul style="list-style-type: none"> • Senior Debt \$9 million - Goldman Sachs • Sub-Debt \$1.5 million -The Kresge Foundation • Sub-Debt \$1.5 million - Living Cities • Deferred Fees - \$3.26 million Roca Inc. • Deferred Fees - \$50,000 Third Sector Capital Partners, Inc. • Grant \$3.7 million - The Laura and John Arnold Foundation • Grant \$2 million - New Profit Inc. • Grant \$300,000 - The Boston Foundation 	
Payment Terms - Risk Sharing	<p>Risk shifted to private sector</p>	
Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.	Decrease in Days of Incarceration	Incarceration-Based Success Payments
	70.0%	\$ 27 million
	55.0%	\$ 26 million
	40.0%	\$ 22 million
	25.0%	\$ 11 million
	10.0%	\$ 2 million
	5.0%	\$0
	Increase in Job Readiness Payment Terms:	
	<p>Government will also make success payments to increase job readiness, to be paid at \$789 for each participant in each quarter that a Roca participant engages with a Roca youth worker nine or more times.</p>	
	Gains in Employment Payment Terms:	
	<p>Government will also make success payments to increase gains in employment, to be paid at \$750 for each participant in each quarter that a Roca participant is employed as compared to similar young men who are not in the program.</p>	
Payment Terms - Payment Period(s)	Decrease in Incarceration Payment Period:	
	<p>Within 45 calendar days after the beginning of Quarters 17, 19, 21 and 23 & within 45 calendar days after the beginning of Quarter 25 at Wind-Up.</p>	
	Increase in Job Readiness Payment Period:	
	<p>Beginning of Quarter 7, and every two Quarters thereafter through Wind-Up.</p>	
	Increase in Gains in Employment Payment Period:	
	<p>Within 45 calendar days after the beginning of Quarters 17, 19, 21 and 23 & within 45 calendar days after the beginning of Quarter 25 at Wind-Up.</p>	
Deferred Fees	<p>\$3.26mm - Roca</p> <p>\$50k - Third Sector Capital Partners, Inc.</p>	
Date Announced	<p>1/29/14</p>	

Implementation Start	October 2014
Interim Outcome Dates	Interim outcomes will be available in Quarter 18 (beginning 1/1/19), 19, 21, 23 and 25
Legislation for Appropriation Risk	Yes: In 2012, the Massachusetts Legislature authorized the Secretary of Administration and Finance to enter into PFS contracts, with up to \$50 million in success payments backed by the full faith and credit of the Commonwealth. This legislative act also requires the Governor to seek an annual appropriation into the fund.
Other Notes	Tracking, but not tied to payment: educational outcomes for young men at risk as re-offenders (high school graduation rates, GED completion, enrollment in post-secondary education).

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New York City Rikers Island Recidivism Reduction Initiative

Policy Area	Criminal Justice
Policy Problem	50% of youth return to jail within one year.
Jurisdiction (implementation sites)	New York City, NY
Who is Paying for the Outcomes?	NYC Department of Correction
Organization(s) Delivering Services	Osborne Association, Friends of Island Academy
Intervention	The ABLE (Adolescent Behavioral Learning Experience) program uses Moral Reconciliation Therapy, a cognitive behavioral therapy intervention
Approximate Program Cost per Participant	\$800 per year
Intermediary: Coordinator & Borrower	MDRC
Program Evaluator	Vera Institute of Justice
Validator	None
Outcome Metric(s)	Reduce # of “reentry bed-days” (days in jail after youth initially released from jail)
Evaluation Design	Quasi-Experimental: The Vera Institute of Justice will compare the recidivism bed days for a cohort of 16-18 year-olds entering DOC custody while the ABLE program is operating (the program group) to a cohort entering DOC custody prior to the start of the ABLE program (the comparison group) and will control for extraneous factors.
Target Population (criteria and size)	All 16–18-year-olds entering the NYC jail on Rikers Island with a length of stay of more than 4 days. (Estimated at 3,000 per year)
Size of Investment	\$9.6 million (\$2.4 million per year)
Total Payments Possible (investment and possible success payments)	\$11.7 million (does not include cost of intermediary and evaluation)
Term / Timeframe (intervention and evaluation)	4 Years (including program delivery and evaluation; evaluation is based on first year cohort with 2-year follow-up). Balloon payment.

<p>Investors: Deal structure/ Capital Stack (annual return if available)</p>	<ul style="list-style-type: none"> • Senior Debt \$9.6 million Goldman Sachs • Guarantee - \$7.2 million Bloomberg Philanthropies <p>Note: Evaluation and intermediary funded separately by Bloomberg Philanthropies via the Mayor's Fund to Advance NYC</p>																		
<p>Payment Terms - Risk Sharing Structure</p>	<p>Risk shifted to private sector</p>																		
<p>Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.</p>	<table border="1"> <thead> <tr> <th>Reduction in Reincarceration Rate</th> <th>City Payment to MDRC</th> </tr> </thead> <tbody> <tr> <td>≥20.0%</td> <td>\$11,712,000</td> </tr> <tr> <td>≥16.0%</td> <td>\$10,944,000</td> </tr> <tr> <td>≥13.0%</td> <td>\$10,368,000</td> </tr> <tr> <td>≥12.5%</td> <td>\$10,272,000</td> </tr> <tr> <td>≥12.0%</td> <td>\$10,176,000</td> </tr> <tr> <td>≥11.0%</td> <td>\$10,080,000</td> </tr> <tr> <td>≥10.0%</td> <td>\$9,600,000</td> </tr> <tr> <td>≥8.5%</td> <td>\$4,800,000</td> </tr> </tbody> </table>	Reduction in Reincarceration Rate	City Payment to MDRC	≥20.0%	\$11,712,000	≥16.0%	\$10,944,000	≥13.0%	\$10,368,000	≥12.5%	\$10,272,000	≥12.0%	\$10,176,000	≥11.0%	\$10,080,000	≥10.0%	\$9,600,000	≥8.5%	\$4,800,000
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<p>Date Announced</p>	<p>Aug. 2012</p>																		
<p>Implementation Start</p>	<p>Feb. 2013 (after pilot period)</p>																		
<p>Interim Outcome Dates</p>	<p>Summer 2015 (Year 1 results) Summer 2016 (Year 2 results)</p>																		
<p>Legislation for Appropriation Risk</p>	<p>No</p>																		

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New York State Recidivism Reduction and Employment Initiative

Policy Area	Criminal Justice, Employment
Policy Problem	Incarcerated individuals face challenges seeking employment, often leading to recidivism. In NYS 22,000 individuals return home from prison annually and 51-71% cannot find employment. 44% return to prison, compared to 23% with full time employment and 29% with part time employment.
Jurisdiction (implementation sites)	Rochester, NY New York City, NY
Who is paying for the outcomes?	US Department of Labor (Phase 1) NYS Department of Labor (Phase 2—\$12mm)
Organization(s) Delivering Services	Center for Employment Opportunities
Intervention	CEO's transitional employment model
Approximate Program Cost per Participant	\$6,750
Intermediary: Coordinator & Borrower	Social Finance US through Social Finance NYS Workforce Re-entry 2013 Manager, Inc
Program Evaluator	NYS Dept. of Corrections and Community Supervision (DOCCS) Research and NYS Dept. of Labor Research
Validator	Chesapeake Research Associates
Outcome Metric(s)	<ul style="list-style-type: none"> • Reduced days in jail or prison after released • Indication of positive earnings in the fourth quarter following release from prison • Number of members who start a CEO transitional job during the relevant observation period
Evaluation Design	Randomized Controlled Trial
Target Population (criteria and size)	2,000 participants targeting people on Parole with high risk of returning to incarceration who have high employment needs
Size of Investment	\$13.5 million
Total Payments Possible (investment and possible success payments)	\$23.5 million (includes cost of intermediary and evaluation)

Term / Timeframe (intervention and evaluation)	5.5 Years: -Years 1-4 program delivery -Years 5-5.5: Additional period for evaluation		
Investors: Deal structure/ Capital Stack (annual return if available)	<ul style="list-style-type: none"> • Debt \$13.5 million Bank of America Merrill Lynch (Investors: 40 individuals, foundations, family foundations including Pershing Square Capital Foundation, Lawrence Summers, James Sorenson, Laura and John Arnold Foundation, Living Cities) • Grant - \$300,000 - Robin Hood Foundation • Guarantee/first loss position - \$1.32 million Rockefeller Foundation 		
Payment Terms - Risk Sharing Structure	Risk shifted to private sector		
Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.	Outcome	Threshold	Price per Outcome
	<i>Employment:</i> Percentage point difference between treatment and control group members with positive earnings in the fourth quarter following release from prison.	5 percentage point increase	<i>Phase I:</i> \$6,000 per person <i>Phase II:</i> \$6,360 per person
	<i>Recidivism:</i> Difference between treatment and control group in average number of days incarcerated per person during the observation period.	36.8 days reduction	<i>Phase I:</i> \$85 per day <i>Phase II:</i> \$90.1 per day
	<i>Transitional Jobs:</i> Number of treatment group members who start a CEO transitional job during the observation period.		<i>Phase I:</i> \$3,120 per person <i>Phase II:</i> \$3,307 per person
Date Announced	Dec. 20, 2013		
Implementation Start	December 2013		
Interim Outcome Dates	Early 2017 (Phase 1 payment calculated)		
Legislation for Appropriation Risk	No		

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Utah High Quality Pre-School Initiative

Policy Area	Education / Early Childhood
Policy Problem	Research shows that children who receive high-quality early education are more likely to succeed in school and less likely to need special education services.
Jurisdiction (implementation sites)	Salt Lake County, UT (Granite School District) Park City, UT
Who is paying for the outcomes?	United Way of Salt Lake, Salt Lake County (first year proof of concept cohort) State of Utah
Organization(s) Delivering Services	Granite School District, Park City School District, Guadalupe School, YMCA of Northern Utah, Children's Express, Lit'l Scholars
Intervention	High-Quality Preschool Program, developed by Granite School District. This program serves 3- and 4-year-olds and lasts 1 or 2 years.
Approximate Program Cost per Participant	
Intermediary: Coordinator & Borrower	United Way of Salt Lake (with Park City Community Foundation for first year proof of concept cohort)
Program Evaluator	Utah State University's Early Intervention Research Institute
Validator	School Readiness Board
Outcome Metric(s)	Decrease in utilization of special education services among children who score at or below 70 on PPVT at beginning of preschool. Students who score 70 or below at the beginning of pre-school are tracked through 6th grade to determine whether they receive special education services at any point during the year. They are also given a post-test by an outside evaluator at the end of preschool
Evaluation Design	The PPVT cutoff point of a standard score of 70 or lower was based on normative data (only 3% of children score this low) and research supporting the relation of the PPVT with later school and special education outcomes. This link between low PPVT scores and later special education placement was supported by educators and with staff in national educational organizations. Comparisons of children participating in an evidence-based preschool program with matched children who did not receive the preschool program supported this link. Using this approach, a contemporaneous control group is not necessary.
Target Population (criteria and size)	4 cohorts of 3- and 4-year-old children eligible for free lunch (2,600 total). The PFS program pays for preschool for children who meet these criteria but outcomes are tracked and payment is made only for those children who score 70 or below on the PPVT.
Size of Investment	\$7 million
Total Payments Possible (investment and return)	

Term / Timeframe (intervention and evaluation)	8-9 years for each cohort; 12 years for all 4 cohorts. Intervention is 1 or 2 school years (depending on whether the child entered at age 3 or 4). Students are tracked through 6th grade. Analysis after each school year and final report 4 months after the last cohort completes.
Investors: Deal Structure/ Capital Stack (annual return if available)	<ul style="list-style-type: none"> •Senior Debt - \$4.6 million, Goldman Sachs (5%) •Subordinate Debt - \$2.4 million, JB Pritzker (5%)
Payment Terms - Risk Sharing Structure	100% of risk is shifted in that no payment is made unless children achieve the specified outcome. However, there is no threshold that must be reached for the investors to receive payment; payment is made for each child who achieves the outcome.
Payment Terms - Details on Payment per Outcome, Payment Period	Success payments equal to 95% of the avoided special education costs per year from K through 6th grade (for the first year proof of concept cohort this equals \$2,470); \$1,040 “success fee” per child per year for special ed avoided after principle and interest paid.
Date Announced	June 13, 2013
Implementation Start	September 2013
Interim Outcome Dates	Summer 2015 & after every school year thereafter
Legislation for Appropriation Risk	Yes, HB96, effective September 2014
Other Notes	Students will not be denied any services because of this initiative. Teachers/ program staff do not know whether individual children are in the program.

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The Institute for Child Success is a non-profit, non-partisan research and policy organization that fosters public and private partnerships to align and improve resources for the success of young children in South Carolina and beyond. A partnership of the Children's Hospital of the Greenville Health System and the United Way of Greenville County, ICS supports service providers, policy makers, and advocates focused on early childhood development, healthcare, and education to build a sustainable system that ensures the success of all children, pre-natal through age five.