

Pay for Success in the U.S.

Summaries of Financed Projects

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INSTITUTE for CHILD SUCCESS



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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?

- 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)

- 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
Term / Timeframe (intervention and evaluation)	<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>
Investors: Deal Structure / Capital Stack (annual return if available)	<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)
Payment Terms - Risk Sharing	Risk shifted to private sector
Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.	<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>
Date Announced	10/7/14
Implementation Start	December 2014
Interim Outcome Dates	Annually beginning fall 2016
Legislation for Appropriation Risk	No

Other Notes

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The Institute for Child Success is fueled by BlueCross BlueShield of South Carolina, an independent licensee of the BlueCross and BlueShield Association, and by the Mary Black Foundation.

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.