

# Pay for Success in the U.S.

## Summaries of Financed Projects

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INSTITUTE *for* CHILD SUCCESS



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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?**

- 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

<b>Target Population (criteria and size)</b>	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)
<b>Size of Investment</b>	\$16.9 million
<b>Total Payments Possible</b>	\$34 million
<b>Term / Timeframe (intervention and evaluation)</b>	<p><b>17 years:</b></p> <p>Years 1-4: CPS will enroll CPC participants, each enrolled for one year</p> <ul style="list-style-type: none"> <li>Kindergarten readiness will be measured once for each cohort at the end of preschool</li> <li>Special education services will be measured annually through 6<sup>th</sup> grade for each cohort</li> <li>3<sup>rd</sup> grade literacy will be measured once for each cohort in 3<sup>rd</sup> grade</li> </ul> <p>Payments will be made on special education savings annually through 12<sup>th</sup> 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 12<sup>th</sup> grade.</p>
<b>Investors: Deal Structure / Capital Stack (annual return if available)</b>	<ul style="list-style-type: none"> <li>Senior Debt: \$7.5 million Goldman Sachs Social Impact Fund</li> <li>Senior Debt: \$5.5 million Northern Trust</li> <li>Subordinate Debt: \$3.9 million J.B. and M.K. Pritzker Family Foundation</li> <li>Finnegan Family Foundation (funding evaluation)</li> </ul>
<b>Payment Terms - Risk Sharing</b>	Risk shifted to private sector
<b>Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.</b>	<p><b>Decrease in special education:</b> \$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><b>Increase in kindergarten readiness:</b> \$2,900 for each student that is prepared for kindergarten after attending the CPC program</p> <p><b>Increase in the third grade literacy:</b> \$750 for each student that scores above the national average on the nationally administered third grade reading test</p>
<b>Date Announced</b>	10/7/14
<b>Implementation Start</b>	December 2014
<b>Interim Outcome Dates</b>	Annually beginning fall 2016
<b>Legislation for Appropriation Risk</b>	No

#### Other Notes

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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.