

Pay for Success in the U.S.

Summaries of Financed Projects

February 2015

i(cs)

INSTITUTE for CHILD SUCCESS



ICS's work to develop early childhood PFS is supported by the Corporation for National and Community Service's Social Innovation Fund.

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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)

- Boston, MA
- Chelsea, MA
- Springfield, MA

Who is Paying for the Outcomes?

The Commonwealth of Massachusetts will be the primary payor for a total of \$27 million.

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.

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	Risk shifted to private sector															
Payment Terms - Details on Payment per Outcome, Minimum Improvement Required, etc.	<table border="1"> <thead> <tr> <th>Decrease in Days of Incarceration</th> <th>Incarceration-Based Success Payments</th> </tr> </thead> <tbody> <tr> <td>70.0%</td> <td>\$ 27 million</td> </tr> <tr> <td>55.0%</td> <td>\$ 26 million</td> </tr> <tr> <td>40.0%</td> <td>\$ 22 million</td> </tr> <tr> <td>25.0%</td> <td>\$ 11 million</td> </tr> <tr> <td>10.0%</td> <td>\$ 2 million</td> </tr> <tr> <td>5.0%</td> <td>\$0</td> </tr> </tbody> </table>	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	<p>Increase in Job Readiness Payment Terms:</p> <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> <p>Gains in Employment Payment Terms:</p> <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>
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<p>Payment Terms - Payment Period(s)</p>	<p>Decrease in Incarceration Payment Period: 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> <p>Increase in Job Readiness Payment Period: Beginning of Quarter 7, and every two Quarters thereafter through Wind-Up.</p> <p>Increase in Gains in Employment Payment Period: 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>
<p>Deferred Fees</p>	<p>\$3.26mm - Roca \$50k - Third Sector Capital Partners, Inc.</p>
<p>Date Announced</p>	<p>1/29/14</p>
<p>Implementation Start</p>	<p>October 2014</p>
<p>Interim Outcome Dates</p>	<p>Interim outcomes will be available in Quarter 18 (beginning 1/1/19), 19, 21, 23 and 25</p>
<p>Legislation for Appropriation Risk</p>	<p>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.</p>
<p>Other Notes</p>	<p>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).</p>



INSTITUTE *for* CHILD SUCCESS

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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.