

Researchers Evaluate Results of Social Impact Bonds

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"Pay-for-success" social impact bonds pay investors when children succeed in school.

Researchers at Utah State University's Center for Persons with Disabilities are evaluating the results of the first-ever social impact bond designed to finance early childhood.

The High Quality School Readiness Evaluation has two parts: the evaluation of a social impact bond that funds preschool for at-risk children, also known as "pay for success," and the evaluation of child performance and preschool quality for newly implemented preschool programs.

"The use of social impact bonds is a growing movement," said Mark Innocenti, director of the CPD's research and evaluation division. "It's a way to fund programs for children."

In August 2013, the Goldman Sachs Urban Investment Group (UIG), together with the United Way of Salt Lake and J.B. Pritzker, formed a partnership and jointly committed \$7 million to create the Utah High Quality Preschool Program, a high-impact and targeted curriculum focused on increasing school readiness and academic performance among at-risk 3- and 4-year-olds in Utah. In 2014, the Utah State Legislature passed HB96, the Utah School Readiness Initiative. Private investors can now partner with the state to invest in preschool programs that demonstrate lasting results and save taxpayer dollars.

This Act included funding to improve preschool quality throughout the state.

As a result of entering kindergarten better prepared, it is expected that fewer children will use special education and remedial services in kindergarten through 12th grade, which results in cost savings for school districts, the State of Utah and other government entities.

"Special education is really expensive, about \$10,000 per child per year, and preschool is not, about \$2,500 per child per year," Innocenti said. "Investors get a return on their investment every year a child stays out of special ed."

Innocenti said there is a lot of interest in social impact bonds in the business community because companies can be charitable and make money at the same time. Utah is currently looking to develop two other social impact bonds for home visit interventions.

The Utah School Readiness Initiative, a "pay for success" program, currently includes 750 children in the Salt Lake City area, Innocenti said, with the majority in the Granite School District. Six programs, including two school districts, one charter school and three private schools, are involved.

"Our goal is to conduct pre- and post-testing when the kids come into preschool and when they exit, and then use school records to evaluate data through sixth grade," Innocenti said. The plan is to increase the number of children to between 1,000 and 1,250 during the 2015-2016 school year.

The second part of the project is funding to improve preschool quality in school districts and from private providers. Each participating provider submitted a competitive proposal for improving quality. These are funded through the Governor's Office of Management and Budget.

"We are also doing evaluation of children as they enter and leave preschool, and also indicators of preschool quality," Innocenti said.

More than 1,100 children in nine districts or private providers will be involved in the second part of the project this year. More providers and children will be involved in the future.