



# Pay for Success

Federal Reserve of Philadelphia

Reinventing our Communities: Transforming Our Economies

*Early Childhood Programs with High Return on Investment*

September 22, 2016

# Business is Invested in Early Childhood...Why?

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- Starting kids on the road to life success is all about human capital development
- Business is the first mover in driving economic growth through human capital development....without capable employees there is no economic growth
- Business has powerful voice; policymakers listen to and collaborate with business
- Business speaks return-on-investment and EC program value is all about ROI.
- “Unlikely messengers of objectivity”, giving business more credibility with policy makers; cogent messaging

# Pay for Success

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- What is it?

*Social impact contractual arrangement that enables local, state and federal governments to scale up an early childhood program that has a proven record for improving desired outcomes and reducing government costs, at no financial risk to payers*



# Pay for Success Outcomes – Salt Lake County

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- Granite School District (GSD) with high quality pre-school
- Only 4% of children who attended the GSD program needed special education by 3<sup>rd</sup> grade
- 95% of at-risk children who tested poorly before pre-school entry expected to need special education
- Less than 1% of that group of children actually needed special education – 1 of 110 children

Success payment made reflecting special education monies saved

# Pay for Success Outcomes – City of Chicago/ Chicago Public Schools

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- Chicago Parent-Child Center program extended to 2,600+ at-risk 4-year olds over four years
- Three primary success outcomes being tracked:
  - Reductions in special education
  - Kindergarten readiness
  - 3<sup>rd</sup> grade literacy
- 2/3 of first cohort students scored above 50th percentile on four of six domains (baseline success threshold for CPC) for K-readiness

Success payment made reflecting achievement of K-readiness outcome

# Questions?

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