



Utah's High Quality Preschool Initiative

Using Pay for Success / Social Impact Bonds to
Expand Preschool to Low-Income Families

Bill Crim

President and CEO, United Way of Salt Lake

Context for Preschool

- **In 2013 . . .**
 - Statewide achievement gap of 16+ percentage points (up to 29% points)
 - No statewide school readiness assessment
 - 60-70% of 5 year olds not ready for kindergarten in some communities
 - No state-funded preschool
 - No statewide quality assessment system

Strategic Context

Collective Impact / Promise Partnerships

At a **COMMUNITY SCHOOL**, academics, support services, and expanded learning opportunities align for student success

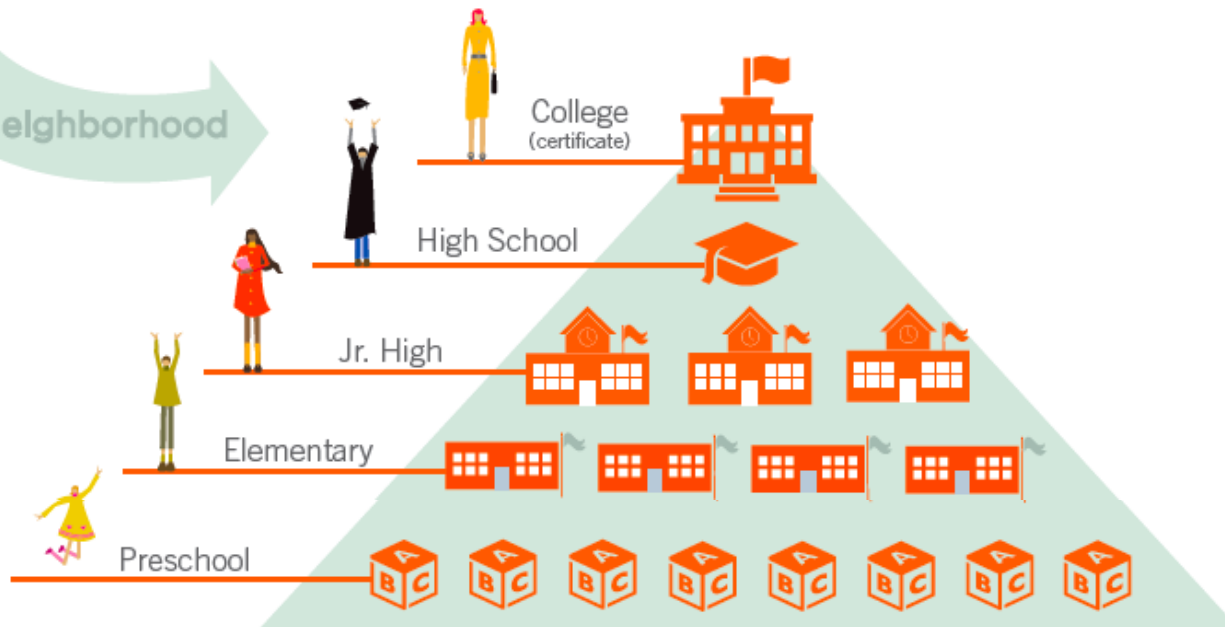


Strategic Context

Collective Impact / Promise Partnerships

In a NEIGHBORHOOD, partners provide a continuum of services to support students and their families from pre-k to college

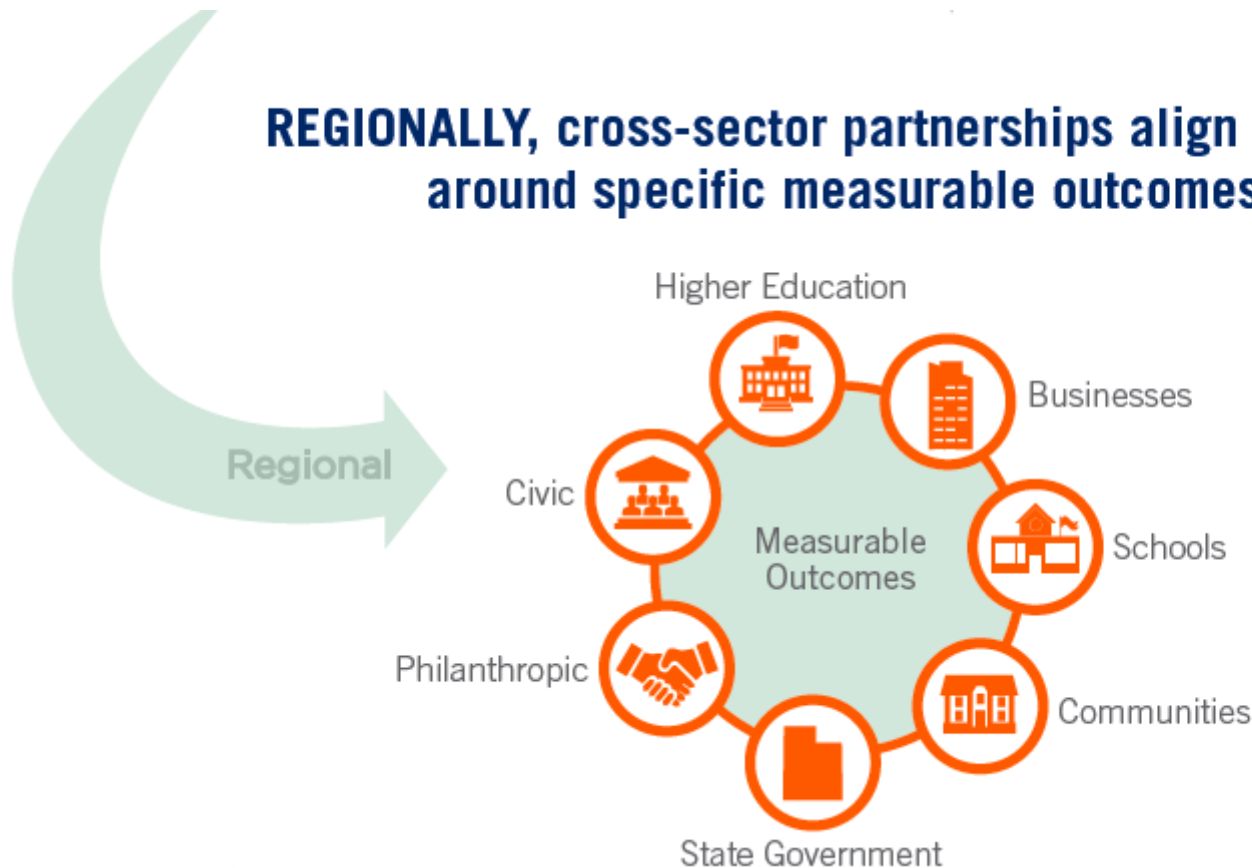
Neighborhood



Strategic Context

Collective Impact / Promise Partnerships

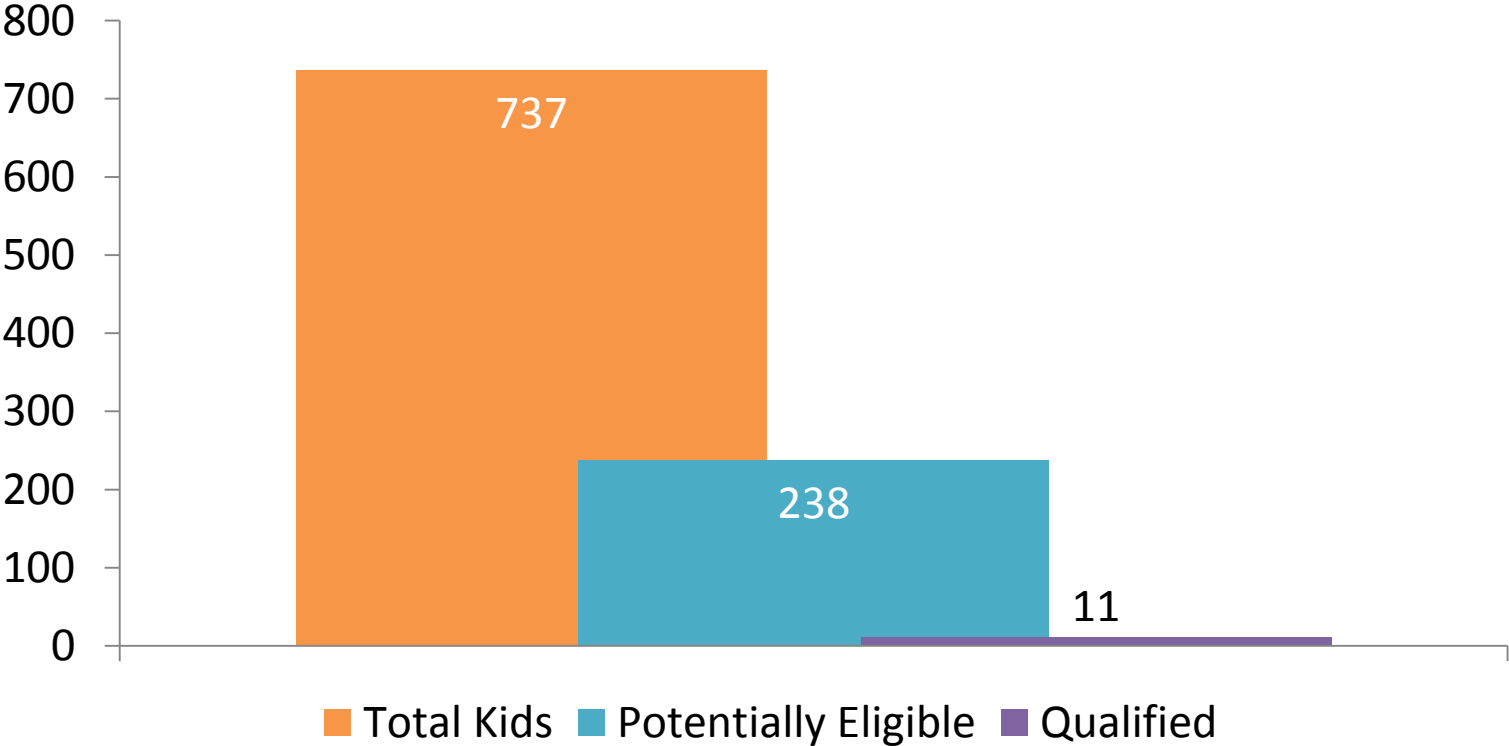
REGIONALLY, cross-sector partnerships align efforts around specific measurable outcomes



Initial Research

- **Early Reading First Evaluation**
 - 2006-2010
 - Granite School District / Utah State University
- **“Feasibility” Study**
 - How are prek kids doing in subsequent grades?
 - How much could the state potentially save (in one specific area only)?

Granite District PreK Study

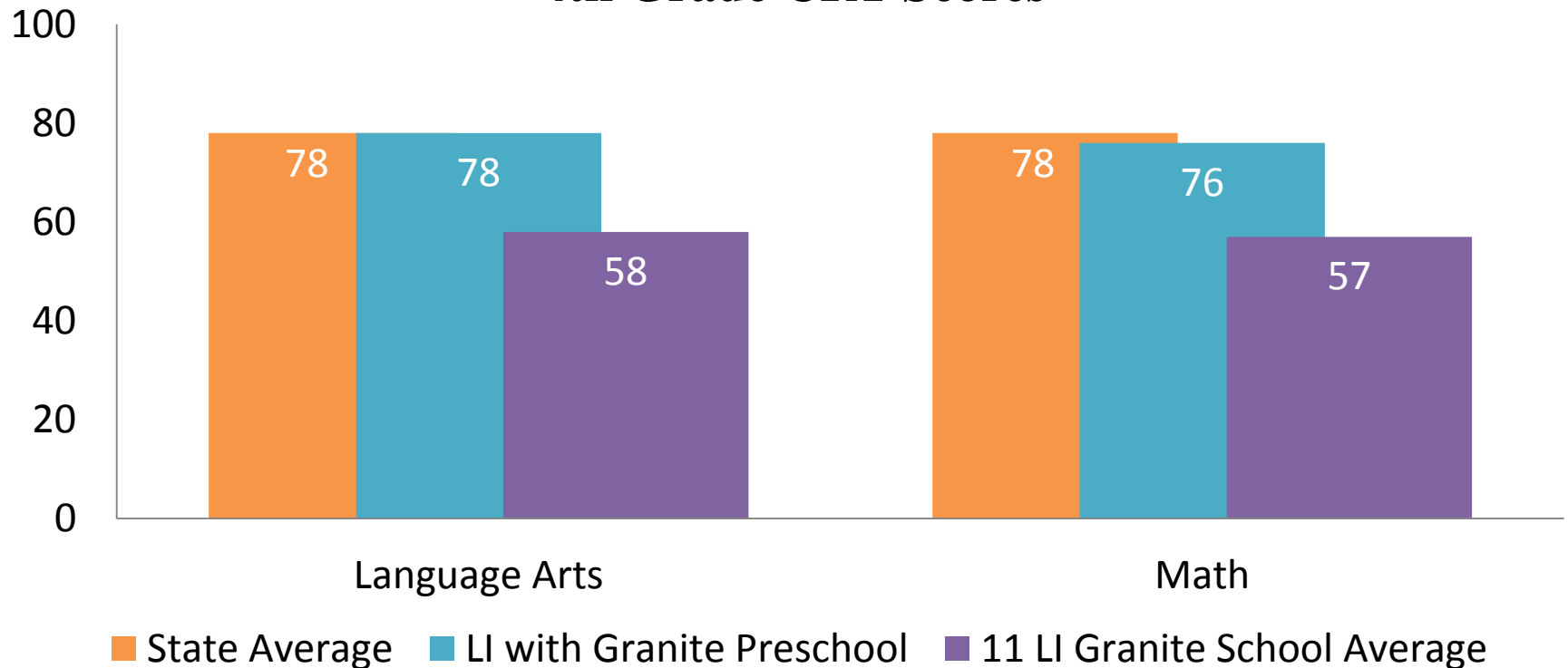


Background

- **Independent research conducted in Utah laid the groundwork for the SIB:**
 - Approximately 25% of low-income children tested two standard deviations below the mean on the Peabody Picture Vocabulary Test (PPVT)
 - PPVT scores that low are a strong predictor of the need for later remediation and/or special education usage
 - More than 90% of low-scoring children were not using special education services after prek

Gains Persist

4th Grade CRT Scores



Potential Savings

UTAH
COULD
AVOID
SPENDING

\$30
MILLION
PER YEAR



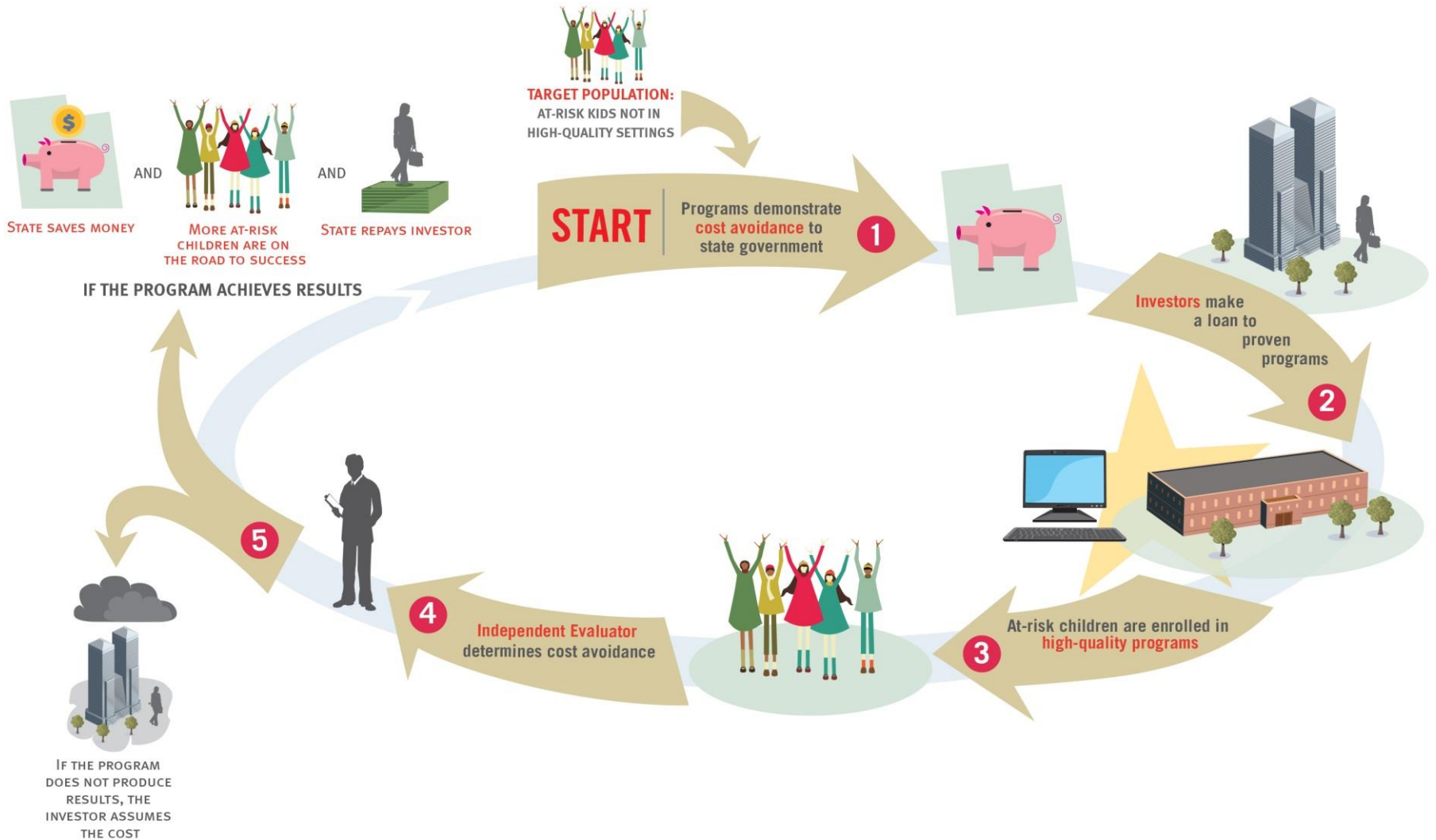
IF AT-RISK KIDS
HAD ACCESS TO
HIGH-QUALITY
PRESCHOOL

SIB Structure

- Investors “loan” money for program expansion
- Intermediary organization coordinates with program providers, investors, and evaluator
- If programs achieve target results, investors are repaid with interest by State (based on costs avoided / saved)
- If targets are not reached, investors may lose principal and/or interest

TARGETED EARLY INTERVENTION AND RESULTS-BASED FINANCING

How it Works



Overview

Target Population

- Low-income 3 and 4 year olds (children qualifying for free or reduced-priced lunch)

Program Settings

- Public schools, charter schools, private daycare providers

• Curriculum

- ½ day; (4 days for 4yo and 2 days for 3yo)
- Intentional Instruction / “We Can”

Deal Structure

- **\$7M commitment over 5 years/cohorts**
- **Cohort 1 – Proof of Concept**
 - No state involvement; investors repaid by United Way of Salt Lake and Salt Lake County
- **Cohorts 2-5 – State Legislation / HB96**
 - State repays investors

Payment Structure

- **Payments:**
 - Determined by multiplying the # of children in the payment cohort (those “potentially eligible” for special education) that avoid special education, by the state add-on for special education (\$2,607 - \$2,726)
- **Interest:**
 - For cohorts 2-5, interest is capped at 5% points above the Municipal Market General Obligation Bond Rate

HB96: Two Components

Pay for Success/Results-based Contracts

- Investors pay for the program and get paid back based on outcomes

Competitive Grants Program

- Evaluate/Demonstrate existing results
- Implement high-quality programming and demonstrate results

HB 96 Implementation

Pay for Success

- 6 Providers
 - Granite School District
 - Park City School District
 - Guadalupe Charter School
 - Children's Express
 - Lit'l Scholars
 - YMCA
- 4000 students impacted

Quality Grants

- 10 grantees
 - 4 school districts
 - 5 private and nonprofit providers
 - 1 technology based
- 3,500 students impacted

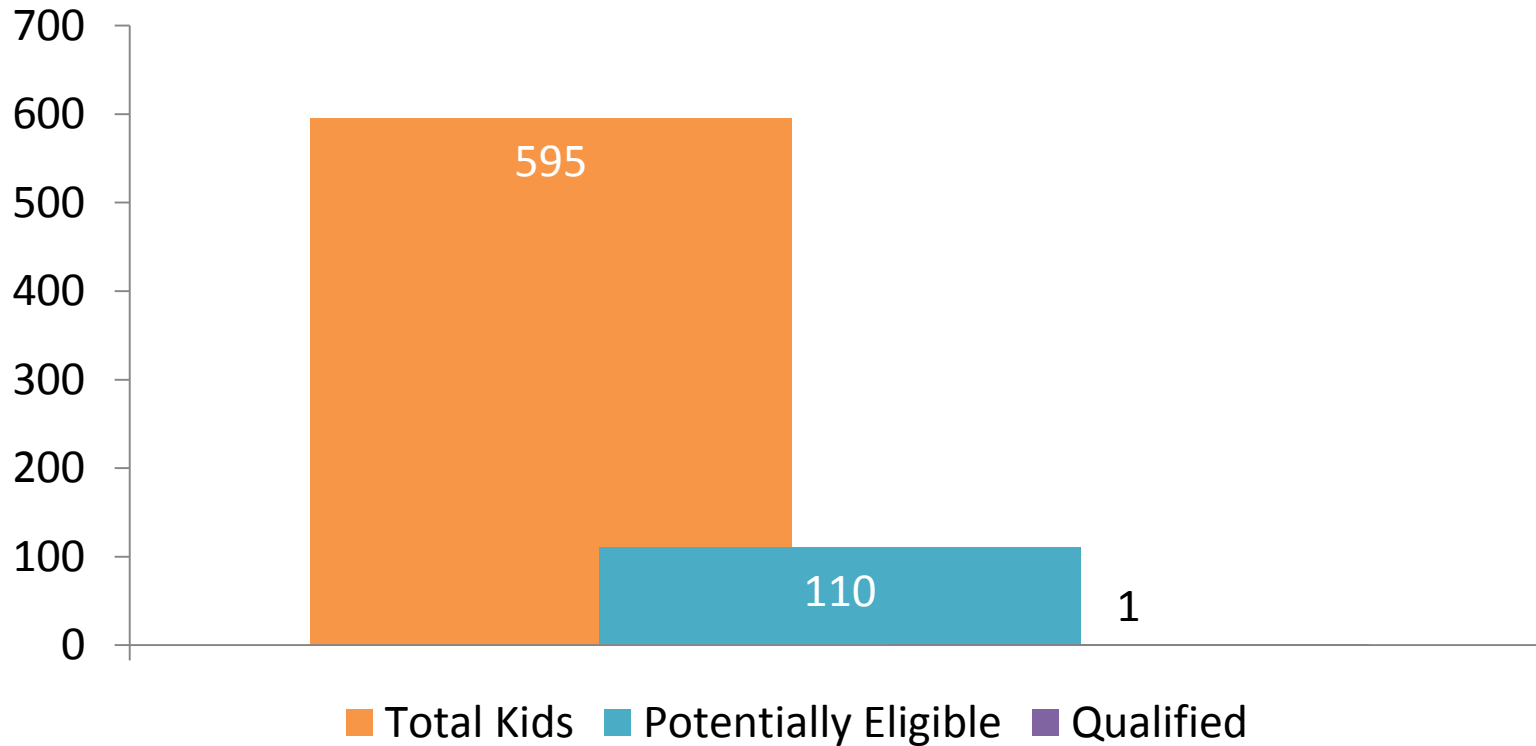
Key Roles

- **Backbone/Intermediary:** United Way of Salt Lake
- **Investors:** Goldman Sachs and J.B. Pritzker
- **Political Leadership:** Salt Lake County (Cohort 1); State of Utah (HB96- Cohorts 2-5)
- **HB96 Implementation:** Utah Dept. of Workforce Services; Utah State Office of Education, Governor's Office of Management and Budget
- **Research and Analysis:** Voices for Utah Children
- **Program Implementation:** Granite School District, Park City School District, YMCA of Northern Utah, Guadalupe School, Lit'l Scholars, and Children's Express
- **Success Payment:** Cohort 1 (United Way of Salt Lake and Salt Lake County); Cohorts 2-5 (State of Utah)

Results to Date

- **Approximately 1,800 low-income three and four year olds have received high-quality preschool through the SIB**
 - All of the children received a pre- and post-Peabody Picture and Vocabulary Test (PPVT)
 - Pre-PPVT results for children in Cohorts 1-3 were adequate in making the terms of the financial model work

Cohort 1 Results



Results to Date

- **First investor payment made**
- **School readiness in partnership communities and school districts is increasing overall**
 - Low income and minority children show greatest gains

Lessons Learned

- **Enrollment and attrition**
 - Parent education strategies needed to be developed
- **Quality Grants outside of PFS**
 - Difficult to achieve desired population level impact
- **Disagreements within the field and data imperfections are barriers**
 - New York Times critique