

Innovative Financing in Early Childhood Development

Reinventing Our Communities
Baltimore, MA
October 2, 2018

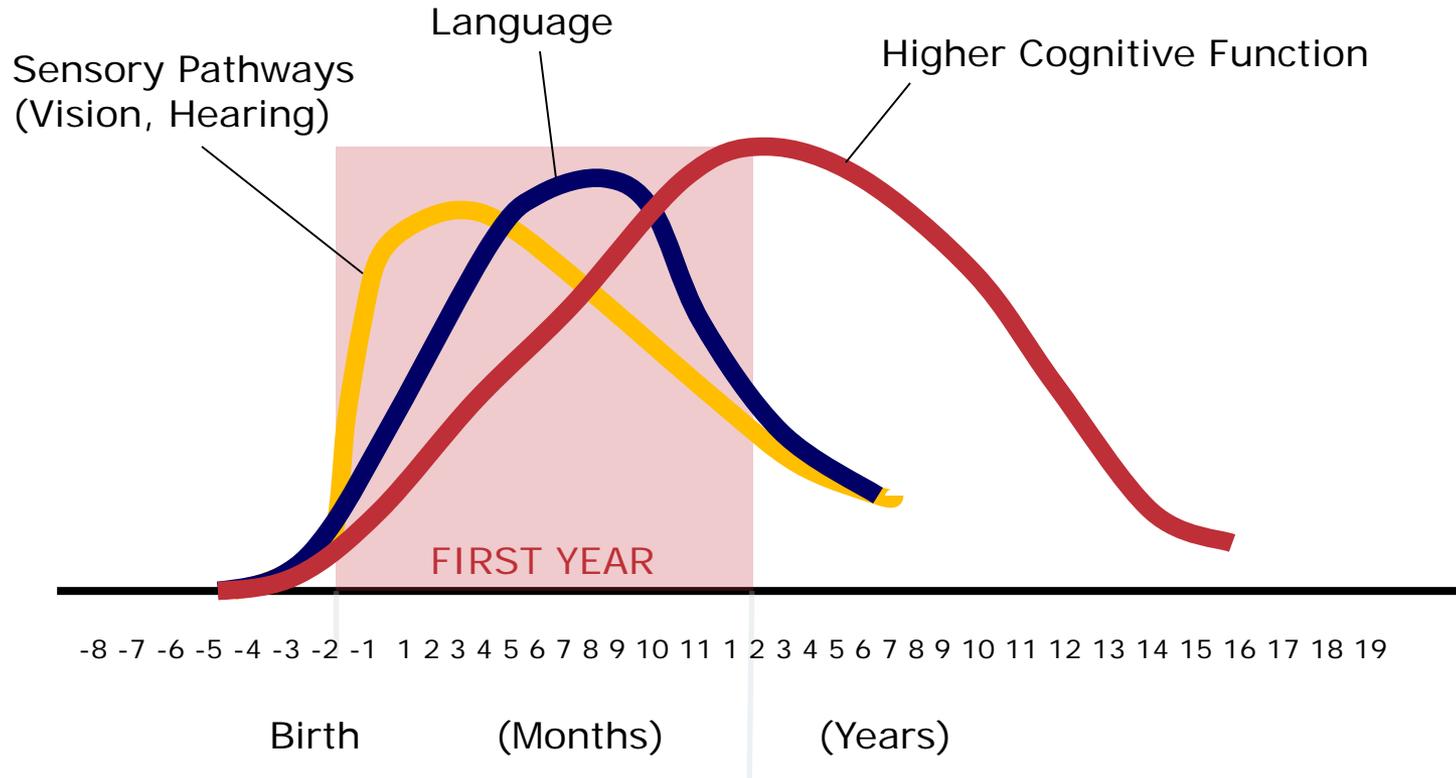


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Human Brain Development

Synapse Formation Dependent on Early Experiences



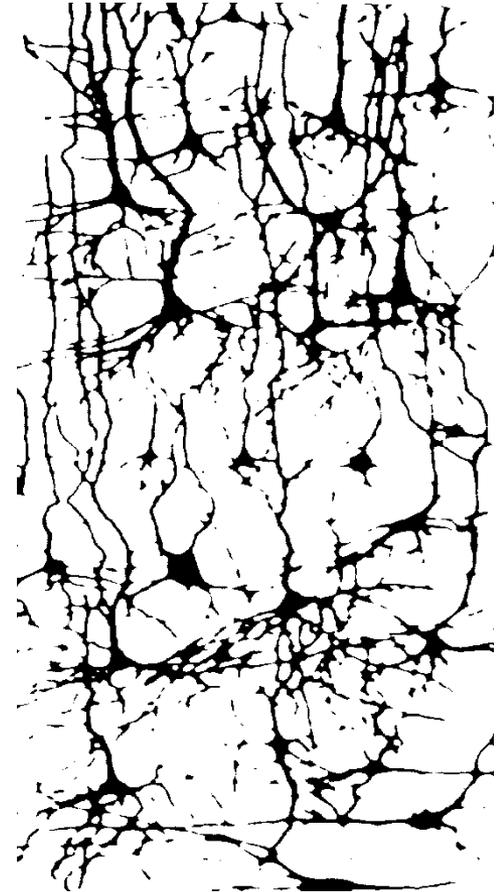
Human
Brain
at Birth



6 Years Old

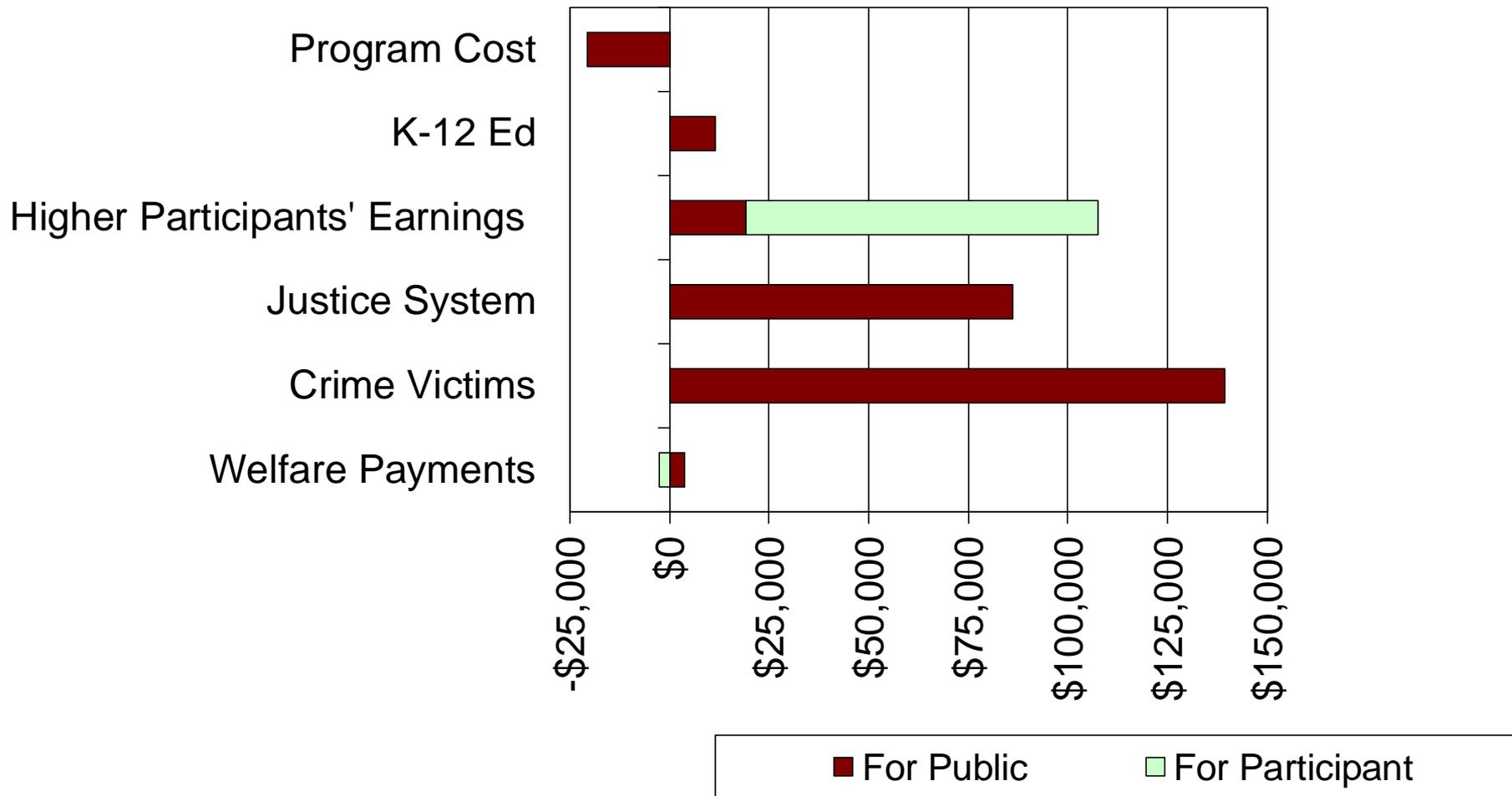


14 Years Old



Source: Chugani, Phelps & Mazziotta (1987)

Perry Preschool Costs and Benefits Over 62 Years



Source: Schweinhart, et al. (2005)

Perry Preschool — Estimated Return on Investment

- Benefit-Cost Ratio = \$16 to \$1
- Annual Rate of Return = 18%
- Public Rate of Return = 16%
- Heckman Reanalysis = 10%

Sources: Schweinhart, et al. (2005); Author's calculations; Heckman, Moon, Pinto, Savelyez, & Yavitz (2010)

Benefit-Cost Ratios for Other Longitudinal Studies

- Abecedarian Educational Child Care
 - \$7 to \$1
- Chicago-Child Parent
 - \$10 to \$1
- Elmira Prenatal/Early Infancy Project
 - \$5 to \$1

Sources: Garcia, Heckman, Leaf, & Prados (2016); Reynolds, Temple, White, Ou, & Robertson (2011); Karoly, et al (1998)

Pay for Success early childhood programs

Outcomes tied to success payments

- Salt Lake City – Preschool
 - Reductions in special education and remedial services
- Chicago – CPC Preschool
 - Kindergarten readiness
 - Reductions in special education services
 - Third grade literacy
- South Carolina – Nurse Family Partnership
 - Reductions in preterm births
 - Reduced hospitalizations and emergency room visits
 - Increase in healthy spacing between births
 - Increase in mothers served in high-poverty areas

Pay for Success early childhood programs

Investors and Payers

- Salt Lake City – Preschool
 - **Investors:** Goldman Sachs, J.B. and M.K. Pritzker Family Foundation
 - **Payers:** Salt Lake County, United Way of Salt Lake for first year, State of Utah for subsequent years
- Chicago – CPC Preschool
 - **Investors:** Goldman Sachs, Northern Trust, J.B. and M.K. Pritzker Family Foundation
 - **Payers:** City of Chicago, Chicago Board of Education
- South Carolina – Nurse Family Partnership
 - **Investors:** A group of foundations (The Duke Endowment largest contributor), private funders, The Boeing Company
 - **Payers:** South Carolina Department of Health and Human Services

Social Impact Partnerships to Pay for Results Act

- \$100 million to fund Social Impact Partnerships designed to raise private capital to fund social programs that have the potential to create value for local, state, or federal government
 - Government repays investors if certain outcomes are met
- 50% of support for outcome payments must directly benefit children
- Up to \$10 million for feasibility studies
- Up to \$15 million for evaluation

Sources

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