Finance Innovation: Layer, Blend and Braid
Better Policy...

1. Put child development first
2. Use a common standards-based quality framework
3. Share costs to improve efficiency
4. Use data to drive quality
Department of Education
- Pre-K funding
- Title I
- Early Intervention
- Preschool SPED
- Professional Licensing
- Early Childhood Food and Nutrition Programs
  All linked to standards

Department of Human Services
- Rates by quality levels for child care subsidy
e.g. subsidy policy aligned with quality
- Simplify eligibility, align with Pre-K, HS/EHS
- Training and quality grants
  All linked to standards

QRIS Framework Common Standards
- Standards for Programs
- Standards for Practitioners
- Early Learning Guidelines
  (Outcomes for Children)

Department of Health
- SNAP
- CHIP/Medicaid
- Healthy Child Care TA
- Mental Health
- MICHV – family support
  All linked to standards

Head Start
Agreement with Federal Regional Office to create administrative, fiscal, monitoring efficiency
All linked to standards

Private Sector
Agreements with United Way, community foundations, etc. to
link $ to common standards
All linked to standards

Higher Education
- Campus-based child care programs
- Practitioner education
  All linked to standards

Judiciary/ Court Administration
Funds for child care centers at the courts or delinquency prevention
linked to standards

Quasi-Public Construction Authority
Funds for construction of ECE facilities
All linked to standards

Department of Tax and Finance
- Higher Dependent Care Tax Credit
- ECE Occupational Tax Credit
- Other business or individual tax benefits
  All linked to standards

Higher Education
- Construction
- Funds for ECE facilities
  All linked to standards
Partnerships...

1. Put children first
2. Share the costs of quality
3. Innovate bold solutions
4. Trust the partners
Head Start School Wide Model

- Serve additional children with the full array of HS comprehensive services at Title I schools
- Accountability
- Equity
- Resources for quality improvement
- Leverage the strengths of pre-K and Head Start
**Blending Approach:** $3 in local funds for every federal Head Start dollar

- **Local funds pay for:**
  - 100% of the costs of instructional staff (teacher and aide) in Head Start and pre-k classrooms in all Title 1 schools
  - Other school-based FTE (principal, custodial staff, etc.)

- **Federal funds pay for:**
  - FTE required for providing comprehensive services
  - Quality Improvement: program evaluation, professional development
Blending Guidance

- Maintain fiscal effort with local funds and other revenue sources
- Provide services to ALL children that meet the HS performance standards
- Use funding to supplement, not supplant regular funding
- Draw down funds based on monthly enrollment - not on expenditures
- Specify the basis for allocating costs within specific cost categories (personnel, space, supplies) and provide a description for how expenditures within the major cost categories will be allocated and accounted for
Pay for Success and Impact Investing: The Basics

**Pay for Success**

- Important initiative of the Obama White House: Office of Social Innovation & Office of Management and Budget
- Focused on making investments “that measurably improve the lives of individuals while also spending taxpayer dollars wisely”
- Leverage “philanthropic and other private investors to provide services for a target population”
- Private investors “provide up-front funding to help achieve a specific result”
- Government “only pays if the agreed-upon goal is achieved”
- Examples include: Reductions in the costs of juvenile justice recidivism; special education in younger children; homelessness and elder nursing home care

**Impact Investing**

- Most talked now are “Social Impact Bonds”
- Based on work in Britain and anchored in Evidence-Based Programs (EBP)
- Requires detailed data-based “Feasibility Study” to identify target population, show program costs, evidence of outcomes, and to create “counterfactual” model that shows cost of no action vs. savings from investment
- Three key national entities lead the SIB work: Social Finance, Third Sector Capital Partners & the Nonprofit Finance Fund
- Two SIBS in place for young children: Utah preschool and South Carolina Nurse Family Partnerships
- National convening March 27-28 hosted by Bank of America and the SC Institute for Child Success
Pay for Success Financing Flow of Capital:
Source: The “Playbook” from Merrill Lynch & Social Finance

Collective Goal: IMPROVE SOCIAL OUTCOMES

1. INVEST
2. STRUCTURE, COORDINATE AND MANAGE RISK
3. DELIVER SERVICES
4. ACHIEVE OUTCOMES
5. MEASURE AND VALIDATE
6. PAY FOR SUCCESS
7. REPAY PRINCIPAL AND RETURN

Investors
Intermediary
Social Service Providers
Government/Payor
Independent Validator

Populations in Need
Online Resources: Pay for Success and Impact Investing

• Pay for Success Financing for Early Childhood Programs: A Path Forward, Institute for Child Success (January 2014)

• Pay for Success Financing: A New Vehicle for Improving Population Health, Institute for Child Success (March 2014)


• Pay for Success: An Overview for Connecticut, CT Center for Social Innovation (February 2014)

• The Business Case for Early Childhood Investments, Ready Nation (undated)

• Social Finance US, the website

• Nonprofit Finance Fund: Where Money Meets Mission, the website

• Third Sector Capital Partners, the website