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Social Impact Bonds: Cha-Ching! Success!

Nothing talks like money does and this week, the financiers of a Utah preschool program became the first Social Impact Bond (SIB) investors to see a return on their investment. The United Way of Salt Lake announced it had cut a check for \$267,000 to investment bankers who funded public-preschool expansion in Utah. The early payment came because initial results showed the program is working already at reducing the number of kids who need special education in grade school.

Of the 595 low-income three- and four-year-olds who attended preschool financed by the SIB in the 2013-14 school year, 110 of the four-year-olds were identified as likely to use special education in grade school. Results showed that of those 110 students identified as at-risk, only one used special education services in kindergarten. That equals a \$281,000 cost savings for the school district, the state and Salt Lake County. The so-called success payment is 95 percent of that cost savings.

Goldman Sachs and J.B. Pritzker committed \$7 million to the pay-for-success program, which will fund expanded preschool services for five years. Researchers will continue to monitor the 110 students through sixth grade. Investors will get more success payments based on the number who avoid use of special education in each year.

The news comes two months after the first-ever social impact bond program in the United States shut down early. An evaluation nearly three years in on a program aimed at reducing recidivism at Rikers Island Prison in New York City found the project had no impact on the number of repeat offenders.

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BY LIZ FARMER | OCTOBER 9, 2015

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