

November 7, 2014

Chicago's Social Impact Bond for Child-Parent Centers Expands a Proven School Reform Model

Human Capital Research Collaborative, University of Minnesota

The City of Chicago's approval of Mayor Rahm Emanuel's plan to increase enrollment in the Child-Parent Centers (CPC) by 2,600 preschool students is a watershed for social impact bond (SIB) financing. Not only is the SIB the largest in private investment (\$16.9 million over 4 years), but it is the first for a proven model of school reform.

The development of the SIB follows the initial expansion of the CPCs in 2012 under an Investing in Innovation (i3) grant from the U. S. Department of Education to the Human Capital Research Collaborative (HCRC) at the University of Minnesota. The i3 Midwest CPC is the model to be implemented in this further expansion.

In the SIB's "Pay for Success" structure, Goldman Sachs, Northern Trust, and the J.B. & M.K. Pritzker Family Foundation will provide up-front loans for the operational costs of the new classrooms, which will open in the next two months to serve 374 four-year-olds this year in 5 existing centers and one new center. Three additional yearly cohorts will follow.

The City will repay the loans only if the program improves outcomes as determined by an independent evaluation. The City Council's approval on November 5 follows the Mayor's announcement and Board of Education approval last month.

"Every child in the City of Chicago should have access to pre-k, regardless of neighborhood or family income," said Mayor Emanuel. "In Chicago, high-quality pre-k and kindergarten is not the exception, it is the expectation. This will provide all of our students with the foundational learning necessary to take them on to college, career, and a successful future."

The annual "success" payments will be \$2,900 for each child who is school-ready for kindergarten, \$750 for each child who is literacy-proficient in grade 3, and \$9,100 for each year a CPC participant avoids special education as compared to a matched comparison group without preschool services. Rates of special education placement will be tracked through high school.

The initiative and payment structure is based on the long-term evidence that CPC improves school achievement and reduces the need for special education. In the 2002 cost-benefit analysis of the program by HCRC investigators Arthur Reynolds and Judy Temple, published in *Educational Evaluation and Policy Analysis*, CPC preschool participation reduced K-12 special education by 41%, grade retention by 40%, and improved school readiness and achievement by 4-6 months of performance. The demonstrated return of \$7.14 per \$1 invested was cited by President Obama in the 2013 SOTU as a rationale for his national preschool plan.

As Libby Doggett, Deputy Assistant Secretary at the U. S. Department of Education's Office of Early Learning explains "the momentum in support of early education in Chicago is encouraging. Business and philanthropic leaders are betting millions of their own dollars that the Child-Parent Program will create real dollar savings for the city by ensuring that more children are ready for success in kindergarten and achieving on grade level. It's heartening that business leaders are recognizing what so many parents and educators already know: high-quality early learning is one of the best investments we can make in our children and in the future of our communities. I hope that elected officials everywhere will take note."

The CPC program is a Prek-3rd grade intervention that provides intensive educational enrichment and family support services. It was significantly revised for the i3 grant in 2012 to further improve benefits. The six core elements established in the project, are: (a) effective learning experiences (b) collaborative leadership, (c) aligned curriculum, (d) parent involvement and engagement, (e) professional development, and (f) continuity and stability. Small classes, an option for full-day prek, menu-based parent involvement, and PD modules developed with the Erikson Institute are a few examples. Although the SIB funds only the preschool component, continuing services in the early grades will be planned in collaboration with schools.

Nadya Chinoy Dabby, Assistant Deputy Secretary for the Office of Innovation and Improvement, U. S. Department of Education adds: "we're thrilled that this effort is focused on improving outcomes for students across Chicago, and that the Child-Parent Centers program is scaling its impact in new and innovative ways."

Planning for the SIB began in fall of 2013 when Harvard University's Social Impact Bond Technical Assistance Lab collaborated with the city to develop a contract for an evidence-based program. Arthur Reynolds, HCRC Co-Director, was asked by the city to help develop the initiative.

Of the 6 schools to open new rooms this year, 3 (Peck, Velma Thomas, Wadsworth) became CPCs in fall 2012 as part of the i3 project. Two are existing CPCs (de Diego and Melody) and one will be new (Hanson Park).

Many partners will work together to ensure success of the SIB expansion. The Chicago Public School District is the service provider for the new classrooms and sites. Metropolitan Family Services (MFS) is the program intermediary with whom HCRC will partner to ensure that the program is implemented in accordance with the guidelines and requirements. The Finnegan Family Foundation, a funding partner in the i3 project, will finance the evaluation. The Illinois Facilities Fund is the financial intermediary that manages the budget and payments to the school district. Capital costs for new classrooms and centers will be funded by the City and State of Illinois.

Most SIBs fund treatments to reduce recidivism in corrections or foster care. The Chicago SIB is a true prevention model to improve school readiness so that CPC participants do not need special education and other remedial services. The estimated total cost per year for special education in Chicago (2014 dollars) is \$16,009 per child, above and beyond regular instruction. Although not part of the "Pay for Success" terms, CPC also has been found to prevent delinquency and child maltreatment, and increase rates of high school graduation. Kindergarten to Grade 3 services also show economic benefits that exceed costs.

In 2011-2012, the year before the i3 grant, CPCs existed in only 10 Chicago sites serving 995 children. Enrollment has doubled to over 2,000 children in 16 sites in 2013-2014. Over 4,300 children are being served in preschool to first grade this year. In the next four years, the SIB is expected to double the current preschool enrollment to over 4,000.

Evanston-Skokie School District 65 (IL), McLean County Unit 5 in Normal (IL), and the Saint Paul Public Schools (MN) have CPCs with the support of many local and national philanthropic partners to encourage sustainability and further expansion.

"Given the increased priority on closing the achievement gap as early as possible, the CPC SIB has national implications for scaling effective models that integrate services from preschool to the early grades," says Reynolds, HCRC Co-Director and Principal Investigator for the Midwest CPC i3 project.

For additional information, please see:

City of Chicago:

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2014/oct/mayor-emanuel-announces-expansion-of-pre-k-to-more-than-2-600-ch.html

Goldman Sachs:

<http://www.goldmansachs.com/what-we-do/investing-and-lending/urban-investments/case-studies/chicago-social-impact-bond-multimedia/fact-sheet.pdf>

Catalyst-Chicago:

<http://www.catalyst-chicago.org/news/2014/11/03/66189/record-paying-preschool-social-impact-bonds>

<http://www.catalyst-chicago.org/notebook/2014/10/07/66159/preschool-expansion-social-impact-bonds>

Cost-Benefit Analysis that is the Basis for the Chicago SIB is here:

<http://clstudy.org/documents/cba.pdf>

Program Description:

The Midwest CPC guidelines and requirements can be accessed at:

http://humancapitalrc.org/midwestcpc/pdfs/Program_Guidelines_9-29-14rev.pdf

Investing in Innovation Fund:

<http://www2.ed.gov/programs/innovation/index.html>

Contact information:

Erin Lease or Ellen Lepinski
Human Capital Research Collaborative
Humphrey School of Public Affairs
University of Minnesota
301 19th Avenue South
Minneapolis, MN 55455

<http://humancapitalrc.org>

email: elease@umn.edu

email: lepin008@umn.edu

phone: 612-625-3607 or 612-624-2862

Arthur J. Reynolds, HCRC Co-Director

Art Rolnick, HCRC Co-Director