



The Nelson A. Rockefeller Center at Dartmouth College

The Center for Public Policy and the Social Sciences

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Policy Research Shop

Social Impact Bonds

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This report was written by undergraduate students at Dartmouth College under the direction of professors in the Rockefeller Center. Policy Research Shop (PRS) students produce non-partisan policy analyses and present their findings in a non-advocacy manner. The PRS is fully endowed by the Dartmouth Class of 1964 through a class gift in celebration of its 50th Anniversary given to the Center. This endowment ensures that the Policy Research Shop will continue to produce high-quality, non-partisan policy research for policymakers in New Hampshire and Vermont.





Methodology

1. Review Existing Literature
2. Examine Current Legislation
3. Case Study Analysis of Existing Programs
4. Expert Interviews

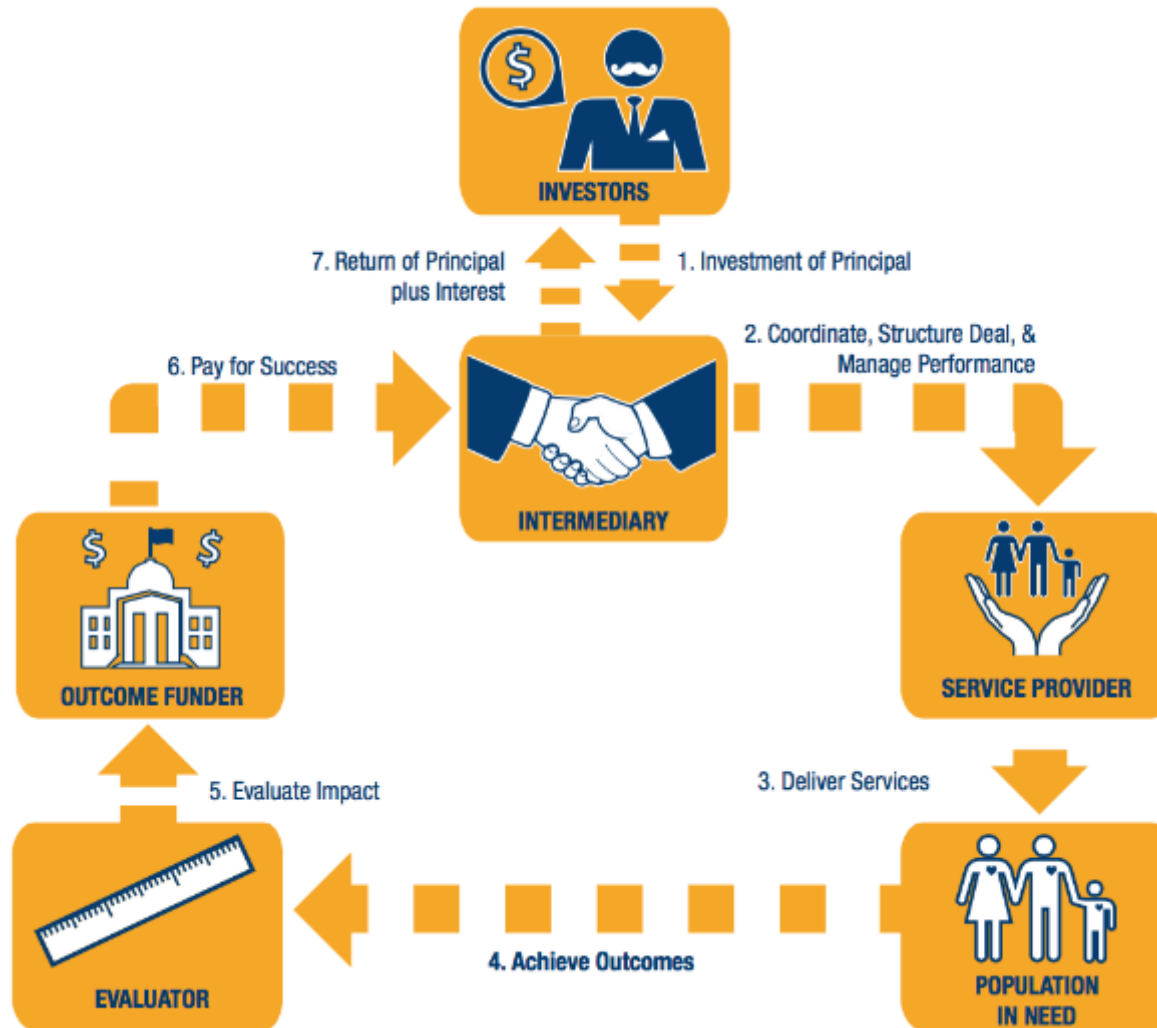


What are Social Impact Bonds?

- Social Impact Bonds are public-private partnerships that finance social services through a performance based contract
- First implemented in 2010 in England
 - Introduced to US in 2012
- Part of trend in “impact investing”
- Ensure government funds are only directed toward programs that demonstrate successful outcomes



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Investor

- Impact investors seek both financial and social returns
 - For-profit: Goldman Sachs Urban Investment Group
 - Non-profit: Duke Endowment
- Most SIBs have both senior and subordinate investors
 - Senior investors have repayment priority
 - Subordinate investors receive return only after senior investors have been fully compensated



Intermediaries

- Government agencies employ intermediaries in order to coordinate a wide variety of elements
- Intermediaries are therefore experts in effectively facilitating projects
 - Prominent US intermediaries include Social Finance US and Third Sector Capital Partners
- However, intermediaries can also be local non-profits
 - Example: United Way of Salt Lake City



Service Provider

- Service providers need to have either an established successful program or an evidence-based program planned
 - Investors need to be assured of probability of success
 - Need to be able to operate at scale
 - An existing agreement with a government agency can be renegotiated as a SIB

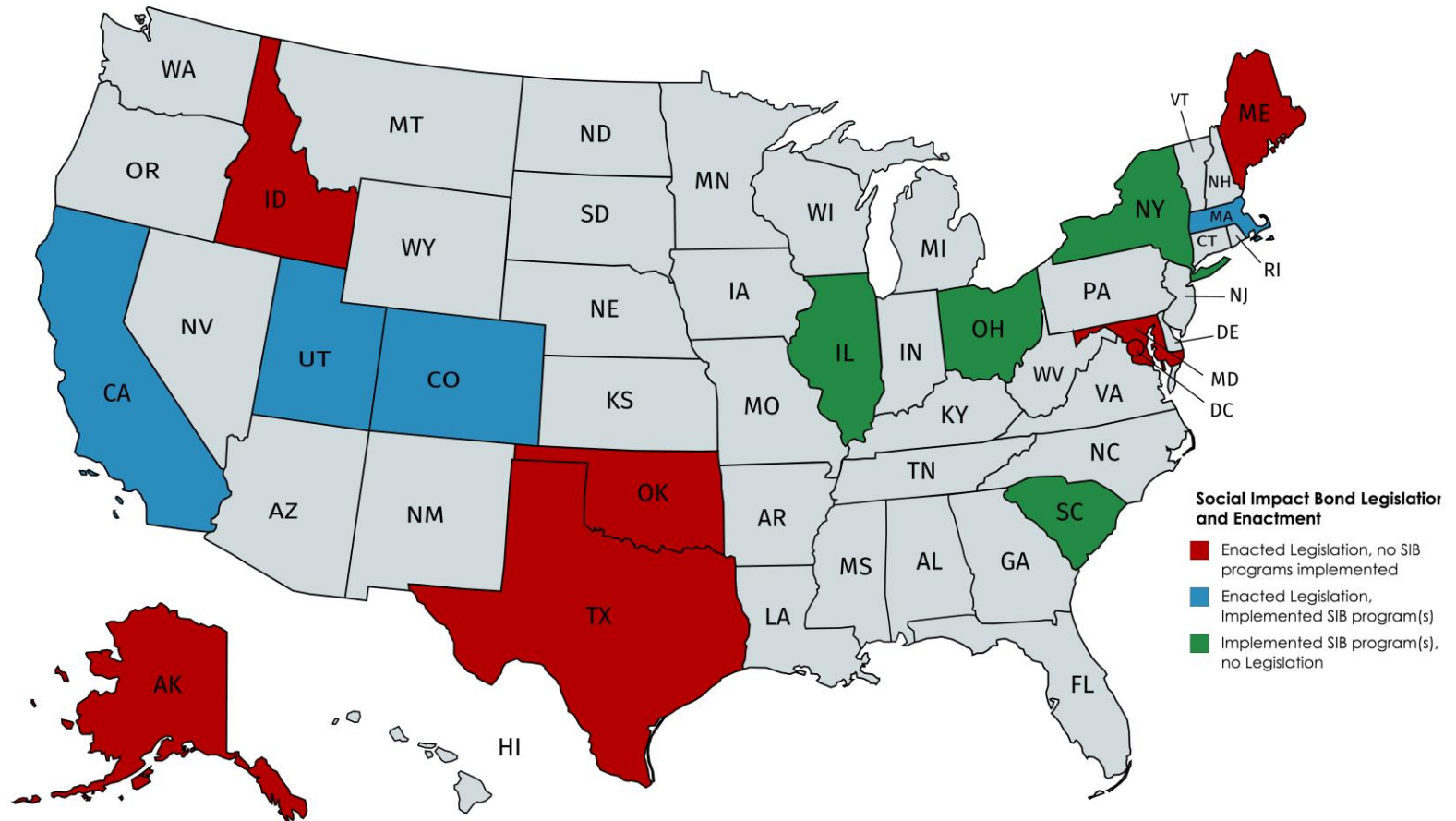


Evaluator

- Evaluators measure outcomes in the target population
 - Variation within how outcomes are evaluated: individual outcomes and cohort outcomes
 - Examples include Urban Institute and Case Western Reserve University



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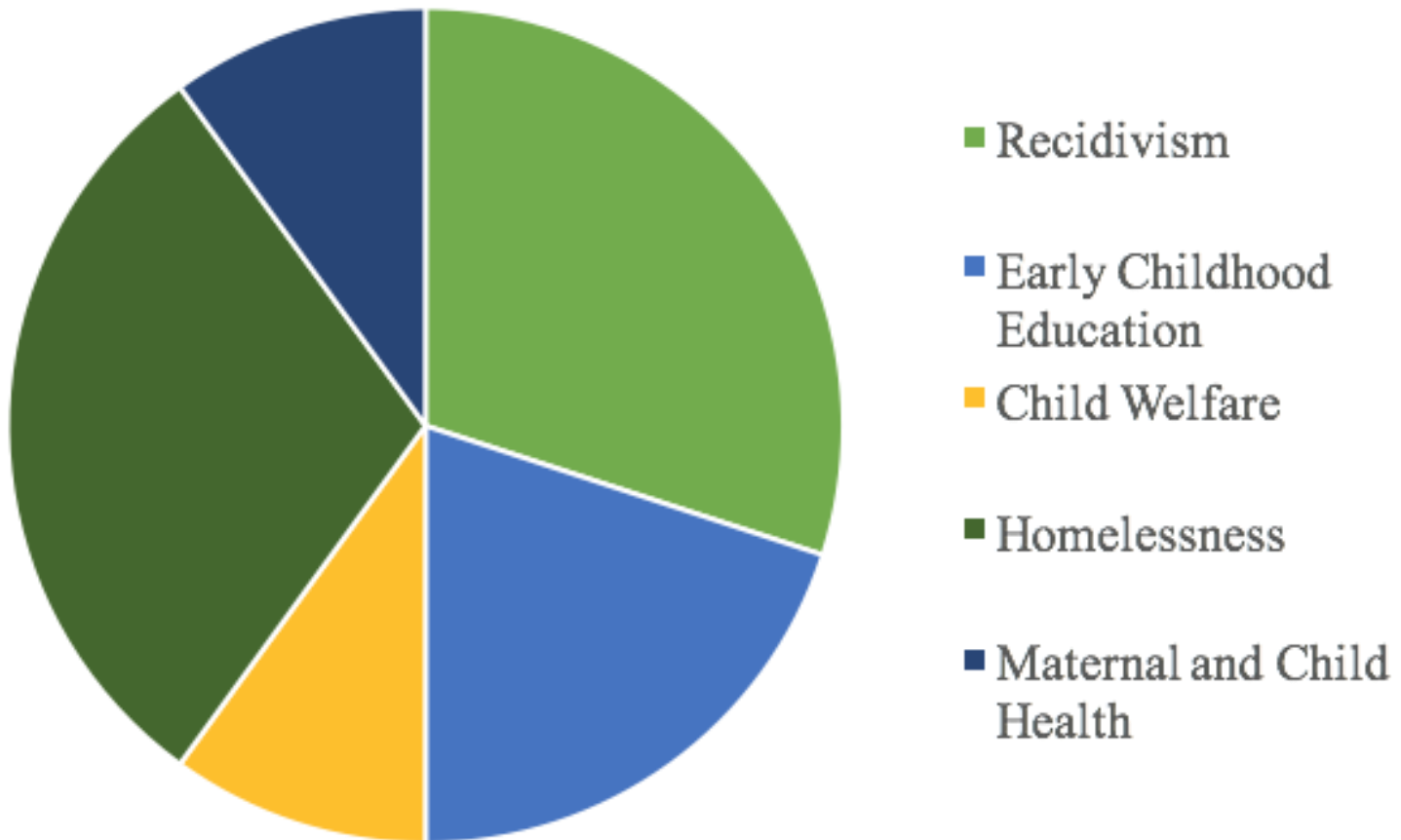
Existing Legislation

- Creates and exploratory committee or requests a report from an agency
 - As in VT-HB 65 (2012)
- Authorizes agencies to enter into Pay for Success contracts
 - Specific agencies
 - Blanket authorization
- Creates a fund for Social Impact Bond projects



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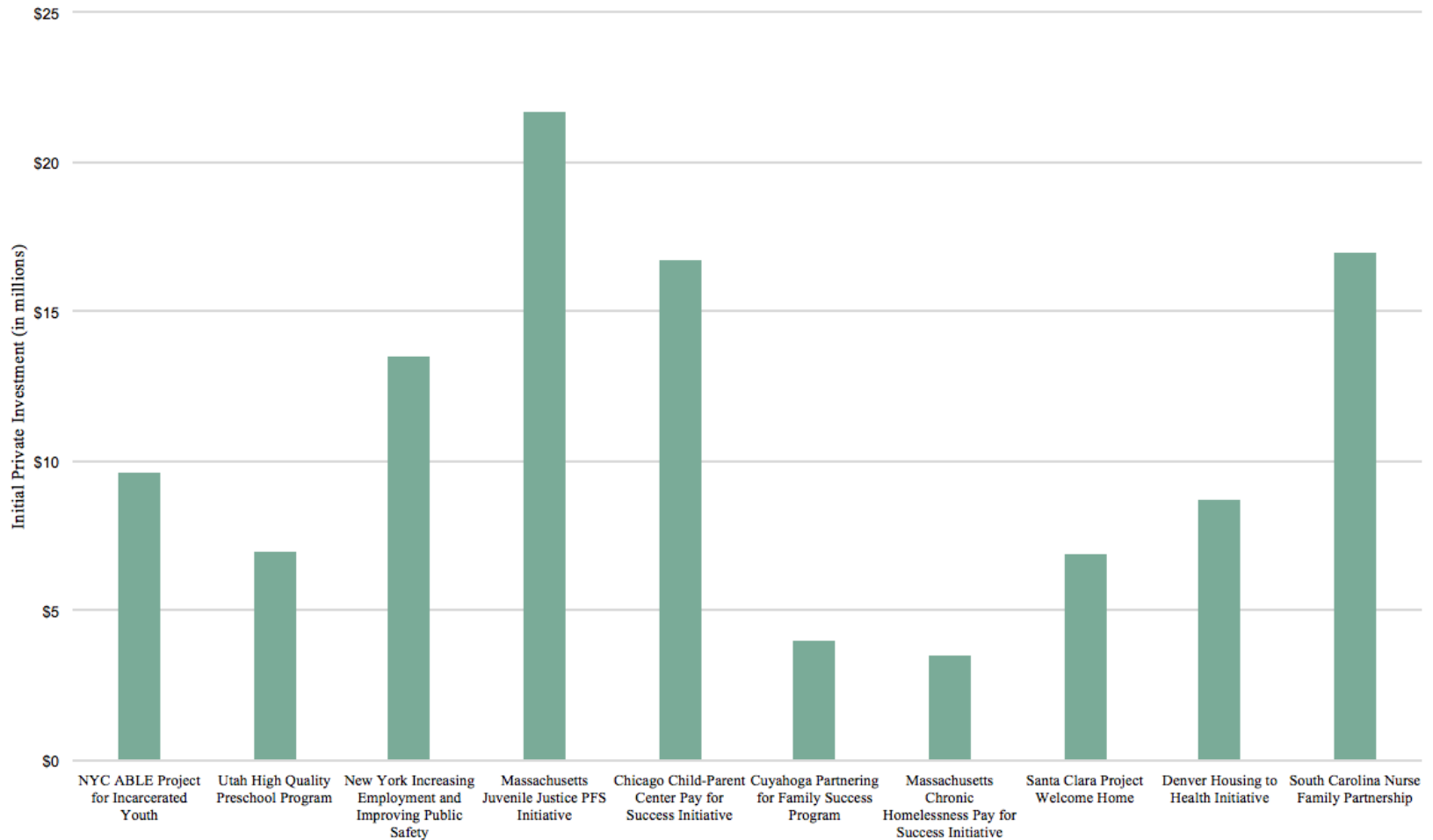
Past Uses – Target Issue





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Initial Private Investment





New York City ABLE Program for Incarcerated Youth

- Aimed to reduce recidivism in incarcerated youth in Riker's Island Correctional Facility through behavioral intervention
- Initial investment came from the Goldman Sachs Urban Investment Group
 - Insured by Bloomberg Philanthropies
- Cut short after a midterm evaluation due to insufficient evidence for success



New York City ABLE Program for Incarcerated Youth

Evidence of SIB funding structure successfully preventing government funding from going to programs that did not produce results.



South Carolina Nurse-Family Partnership

- Nearly half of all children in SC are born to low income mothers
 - Poor maternal health leads to complications, preterm births and infant deaths
- This program aims to provide individual healthcare to low-income mothers across the state
 - Not confined to a single service area



South Carolina Nurse-Family Partnership

- Contracted with the Nurse-Family Partnership Program
 - Already offered services in parts of South Carolina
- Funding
 - Government funding
 - Medicare voucher
 - Investments
 - Philanthropic
 - Previous funder of Nurse-Family Partnership
 - Private Investors



South Carolina Nurse-Family Partnership

This program essentially brought an existing service provider and funder into a SIB structure, leading to evidence-based service and government involvement



Denver Supportive Housing Program

- Aims to provide stable housing and reduce jail stays of homeless individuals in Denver
 - This population costs the City of Denver \$7 million per year in hospital stays and jail time
 - The availability of assisted housing services had decreased, exacerbating this issue
- Two separate goals with separate funding streams
 - Reducing jail days of the target population through case management
 - Increasing use of assistive housing



Denver Supportive Housing Program

- Funding
 - Government Funding
 - Medicaid and Housing Vouchers
 - Primary Investors
 - Primarily Foundations
- Evaluation
 - Cohort case-control evaluation of Jail Days
 - Individual payment system for Housing



Denver Supportive Housing Program

This program used little private funding in order to create an outcome based program that achieves existing goals and incorporating existing funding streams.



Cuyahoga Country Partnering for Family Success

- Aims to reduce stay in out-of-home foster care placement for children whose families are homeless
 - Service provider helps mothers find appropriate housing, apply for government benefits, learn life skills, and secure employment opportunities
 - \$4 million of upfront capital was raised from a variety of senior investors, subordinate investors, and recoverable grants



Cuyahoga Country Partnering for Family Success

- Outcomes are based on reduction of out-of-home placement in comparison to control group over the five years of the program
 - Returns to senior investor is capped at five percent
- Randomized control trial is evaluated by Case Western Reserve University



Cuyahoga Country Partnering for Family Success

Institutional commitment is critical to the success of creating a SIB, and having a program champion allows for programs to be pushed through to completion



Moving Forward in Vermont

- Possible applications
 - Determined by agencies and executives
 - Can be identified through service providers
- Target Population
 - Issue of scale and divisible costs
- Investment sources
 - Funding from foundations and philanthropists
 - Possible to attract external funding
- Legislation
 - Further investigation
 - Authorize agency



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Conclusion

- Social Impact Bonds can be used to fund programs that address many different issues.
- High intensity programs require backing from executives and agencies
- Common First Steps:
 - Requesting further research
 - Authorizing agencies to negotiate contracts