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Contact: Austin Isbell, Love Communications
801-631-3256 | aisbell@lovecomm.net

Social Impact Bond for Early Childhood Education Shows Success

109 of 110 At-Risk Utah Students Avoid Special Education Services Following High-quality Preschool, Financed by “Pay for Success” Investment from Goldman Sachs and J.B. Pritzker

Salt Lake City---Today, United Way of Salt Lake (UWSL) announced that both the preschool intervention and the financing mechanism for the country’s first “Pay for Success” transaction for early childhood education have been successful. The investment deal, in which Goldman Sachs and J.B. Pritzker committed \$7 million dollars, will benefit up to 3,700 children over multiple years and save state and local government millions of additional dollars.

"This pioneering effort is a perfect example of data-driven Collective Impact with the larger goal of assuring every child is ready for school," said Bill Crim, President and CEO of United Way of Salt Lake. "When business, government and the social sector work together in this way, large- scale social change is possible."

Of the 595 low-income three- and four-year-olds who attended high-quality preschool financed by the social impact bond (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. The 110 students will continue to be monitored through sixth grade, generating further success payments based on the number who avoid use of special education in each year.

The successful results triggered the first investor payment for any Pay for Success financing mechanism in the U.S. market. With fewer children requiring special education services and remedial services after attending the SIB-financed Preschool Program, school districts and government entities are saving money. Total savings calculated in Year 1 for Cohort 1 are \$281,550, based on a state resource special education add-on of \$2,607 per child. Investors received a payment equal to 95 percent of these savings.

“Access to early education gives children a foundation they will build upon throughout their education and beyond,” said Andrea Phillips, vice president in the Goldman Sachs Urban Investment Group. “We are pleased that initial results announced today show that the pay for success financing method is working. Through the strong collaboration with local leaders and our partners, children who otherwise may not have been able to attend preschool will get this opportunity and improved educational outcomes will help build stronger communities.”

Established in 2013 through a partnership led by UWSL, the initiative builds on research conducted by Voices for Utah Children on the Granite School District preschool program, which delivers a high impact and targeted curriculum to increase school readiness and academic performance among three- and four-year-olds. As a result of entering kindergarten better prepared, fewer children are expected to

use special education and remedial services in kindergarten through 12th grade, which results in cost savings for school districts, the state of Utah and other government entities.

United Way of Salt Lake convened partners and investors to execute the first year and earmarked \$1 million to serve as the repayment fund for the transaction's first cohort of children. Salt Lake County, led by Mayor Ben McAdams, added to the repayment fund and became the first government entity in Utah to embrace the pay for success model.

“Putting kids on the path to success turns out to not only be the right thing to do, but also the fiscally responsible thing to do. These results show that the Pay for Success model creates an opportunity to put taxpayer dollars towards what actually works, rather than following an outdated recipe that we once thought or hoped would work,” said Salt Lake County Mayor Ben McAdams.

In 2014, the Utah State Legislature passed HB96, the Utah School Readiness Initiative sponsored by Representative Greg Hughes. This legislation established the School Readiness Board, comprised of appointees from the State Department of Workforce Services, Utah State Office of Education, Utah State Charter School Board, business leaders, and other individuals committed to advancing early childhood education in Utah

“The passage of HB96: Utah School Readiness Initiative in 2014 was the right choice for Utah,” said Speaker of the House, Greg Hughes. “As a lawmaker I want to make sure that our investments are achieving the outcomes we hope for our state, but more importantly, we want to ensure our kids have the opportunities they need to reach their potential.”

The School Readiness Board is responsible for entering into Pay for Success financing contracts with private investors, on behalf of the state. In 2014, the state of Utah entered into a contract with United Way of Salt Lake, Goldman Sachs, and J.B. Pritzker to provide repayment funding for the project for cohorts two through five.

“I am very pleased to see these initial results and the innovative work of the public-private partnership,” said Gov. Gary R. Herbert. “Early education is a critical and real need for our most at-risk children and their parents. These programs are proven to help reach the state's critical goal of reading proficiency by the end of third grade and create a lifetime of learning success.”

About United Way of Salt Lake

United Way is pursuing lasting social change on some of the toughest issues we face—poverty, poor health, and lagging educational achievement. Using a Collective Impact framework—uniting organizations, donors, and volunteers—we are working to change lives and communities forever. We invite you to be part of the change. You can give, you can advocate, and you can volunteer. Together we can do more than help one child beat the odds, we can change the odds for entire communities. Join the conversation by visiting our blog at uwslhub.org, or find out more at uw.org.

About the Goldman Sachs Urban Investment Group

Established in 2001, the Goldman Sachs Urban Investment Group (UIG) deploys the firm's capital by making investments and loans that benefit urban communities. Through its comprehensive community development platform, UIG is a catalyst in the revitalization of underserved neighborhoods. UIG has committed over \$4.5 billion, facilitating the creation and preservation of over 18,000 housing units - the majority of which are affordable to low, moderate and middle-income families - as well as over

1,800,000 square feet of community facility space and over 5,500,000 square feet of commercial, retail, and industrial space.

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