

## Fact Sheet: Chicago Pay for Success/Social Impact Bond Program

April 27, 2017

### Overview

- All children deserve to achieve their full potential, and a strong body of research demonstrates the profound impact that early childhood education can have on a child's future success. However, many children who could benefit the most from high quality pre-kindergarten programs often don't have access to these opportunities. By expanding an evidence-based educational model in areas of need, Pay for Success (PFS) funding enables improved access for families in need, while providing an opportunity for Chicago Public Schools (CPS) to learn from outcomes to inform and strengthen the City of Chicago's early learning and pre-kindergarten programming portfolio and implementation.
- Chicago's first PFS program is a public-private partnership that makes it possible for more than 2,600 at-risk children and their families, over four years, to benefit from the Child-Parent Center's (CPC) high-quality early childhood education services and enhanced parent engagement resources. The program has also enabled scaling of the CPC model to new communities and student populations, including bilingual children.
- To allow for thorough performance tracking and an enhanced focus on student outcomes, the PFS program uses a rigorous methodology for tracking student success in three areas: kindergarten readiness, special education placement and third-grade literacy.
- The Year 2 report provides the kindergarten readiness results for the second cohort of students across nine CPC sites in 2015-16. It also provides kindergarten special education placement results for the first cohort of students who participated in CPC preschools beginning in 2014-15.
- In addition to SRI International's independent review, Chicago Public Schools has also provided an addendum to the report explaining changes between Year 1 and Year 2 performance. The evaluation report and addendum are available for download and review.

### Year 2 Kindergarten Readiness and Special Education Placement Results

- According to the Year 2 report, released by the PFS program's independent evaluator, SRI International, 41.64 percent of the children in Cohort 2 were determined to be kindergarten-ready. This is consistent with an earlier study of CPC that showed 44 percent of CPC students were deemed kindergarten ready, compared with 28 percent of children who did not attend preschool. Rates of Kindergarten readiness rates for Cohort 2 were higher for children with full-day preschool (50 percent) versus half-day preschool (36 percent).
- The PFS program uses Teaching Strategies GOLD™ (TS GOLD™) to measure kindergarten readiness, with investors prioritizing student outcomes and receiving maximum returns on this measure only if a student cohort exceeds the 50th percentile – the national average. Cohort 2's results fell below this cap, meaning that investors receive a smaller return than they could have had the threshold been met.
- The Year 2 report also tracks special education placement for Cohort 1, which entered kindergarten in 2015-16 with a special education placement rate for mild delays and disabilities of 4.38 percent. This is a half-percentage point lower than the report's comparison group, which had no CPS preschool, and lower than overall CPS kindergarten special education placement rates for mild delays and disabilities of 7.4 percent. The addendum to the Year 2 report, provided by the City of Chicago

and CPS, provides further information on overall CPS special education placement rates.

- The PFS program determines special education-related payments based on the difference between the PFS student cohort and the comparison group. Because the difference for Cohort 1 is below expectations, investors will receive a reduced payment as SRI International continues to track PFS CPC student special education performance over the coming years.

#### Methodology

- Teachers track children’s progress on skills important for kindergarten readiness throughout CPS using the TS GOLD™ formative assessment system, which rates children’s skills and abilities across six domains, including literacy, language, mathematics, cognitive development, socio-emotional well-being and physical health.
- To ensure a complete focus on student outcomes and rigorous metrics of kindergarten readiness, the PFS program counts children as kindergarten-ready if they perform at or above average on at least five of six TS GOLD™ domains. This is a higher standard than other early childhood research using this assessment, which often uses the lower bar of meeting the standards on four of six domains.
- The PFS program is built on the idea that the CPC’s high-quality early education can prevent or reduce the need for potential special education services for students considered at risk for developing mild disabilities or other delays. SRI focuses its special education assessment on CPC students with mild to moderate developmental delays. Earlier studies that tracked students who benefitted from the CPC intervention for special education utilization from age 6 to 18. These studies showed that those who benefitted from the CPC had a lower average special education placement rate of 14.4 percent compared to 24.6 percent of non-CPC students over a 12-year evaluation period.
- To assess special education outcomes, the PFS program measures a CPC student cohort against a similar demographic group from CPS that did not attend preschool. Using statistical methods (e.g. propensity score matching), SRI International creates a “no pre-K” student comparison group as each of the four CPC cohorts enters kindergarten.

#### About the Project

- Evidence shows that the high-quality preschool program offered by CPC is proven to better prepare at-risk students to achieve their full potential in school and in life. CPC programming offers unique wrap-around services to engage parents and families in a child’s education and demonstrates stronger attendance and kindergarten readiness rates than other similar programs.
- The Year 2 report is the second report of a six-year project with four cohorts of children taking place at the nine PFS-funded sites using the CPC model. As a pioneering use of PFS for early childhood education, this program is designed to expand enhanced educational opportunities for families in high-need communities.
- Chicago’s PFS program provides nearly \$17 million in up-front capital to increase access to CPC’s high-quality program by creating more than 2,600 new slots across nine schools, with enhanced parental engagement resources provided by Metropolitan Family Services.
- The PFS project was formed in 2014 as a partnership between the City of Chicago, Metropolitan Family Services, CPS and IFF as the project coordinator and intermediary, with financing from the

Goldman Sachs Social Impact Fund, Northern Trust and the J.B. and M.K. Pritzker Family Foundation.

- Private investors in this and other PFS programs accept the risk that if a program fails to meet its pre-established success goals, the outcome-related payments will be less, or none at all. Investors receive returns based on the program's success in meeting target outcomes.
- SRI International will continue to evaluate student performance for four student cohorts through 2024 by tracking the following outcomes: kindergarten readiness in the spring of preschool for each cohort, third-grade literacy (using PARCC or other district-wide assessments) in the spring of third-grade and the special education utilization rate each year beginning in kindergarten.
- The first PFS repayment to the investors occurred on April 30, 2017, with the amount determined by student outcomes from the first two years of the program (2014-2016). If the outcomes fall short at any point, investors could lose up to their full outstanding investment and taxpayers would owe nothing more.

#### About the CPC Sites

- During the 2014-15 school year, the PFS project expanded the number of CPC classrooms at Fiske, Peck, Melody, De Diego and Thomas elementary schools and added new classrooms at Hanson Park elementary school. During the 2015-16 school year, the CPC classrooms continued at these six sites, expanded the CPC classrooms at Edwards elementary school and added new classrooms at Tonti and Davis elementary schools for a total of nine CPC sites receiving PFS funding.
- The CPC program provides an extensive support system for families in high-needs communities. Each CPC classroom is staffed with a teacher and an assistant serving classes of 17 students for half-day programs and 20 students for full-day programs. The program uses the Creative Curriculum™ and the TS GOLD™ assessment for formative assessment. Each CPC is rated for quality under the ExceleRate Illinois™ quality rating improvement system.
- Parents of CPC students are required to volunteer at CPC sites for two and a half hours per week. Metropolitan Family Services provided onsite coaching support for parent engagement, including Family Needs Assessments, Parent Engagement Workshops in English and Spanish, trauma prevention training, and the creation of new CPC Lending Libraries. Additionally, MFS has provided iPads for each PFS CPC Parent Resource Room.

#### Economic Benefits

- According to well-regarded economic studies, investment in high-quality early childhood education returns more than 7% in benefits for every dollar invested by reducing the future costs of remedial and special education spending, crime and imprisonment.<sup>i</sup>
- Other studies show that students in high-quality early childhood education programs are up to 25 percent more likely to stay in school, 60 percent more likely to attend college, 40 percent less likely to become a teen parent, and 70 percent less likely to be arrested for a violent crime.<sup>ii</sup>

#### Lessons Learned

- Given the consistently higher rates of kindergarten readiness for children who had full day preschool versus those who attended half day in both Cohorts 1 and 2, City of Chicago and Chicago Public Schools remains committed to expanding access to full day preschool, particularly for those children most in need.

- Based on the efforts to recruit children in the PFS project, the City of Chicago and Chicago Public Schools are using lessons learned at CPC to improve strategies city-wide that further eliminate barriers families may experience in enrolling their children in pre-K programming. For example, this could include implementing a system to better support the school-based staff, who have the closest interactions with families and can provide enrollment support for students at their school sites.
- CPC implementation in Chicago has also offered CPS the opportunity to review city-wide implementation practices. Through an in-depth analysis of information provided by SRI International in conjunction with the PFS project, CPS has gained valuable insights into the process of scaling this evidence-based model and is pursuing additional external support to improve child outcomes to strengthen the quality of its programs for families citywide.

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<sup>i</sup> Heckman, James J., Seong Hyeok Moon, Rodrigo Pinto, Peter A. Savelyev, and Adam Yavitz. 2010b. "The Rate of Return to the High/Scope Perry Preschool Program." *Journal of Public Economics*, 94(1): 114-128.

<sup>ii</sup> Ounce of Prevention. "Why Investments in Early Childhood Work." Accessed March 24, 2016. <http://www.theounce.org/who-we-are/why-investments-in-early-childhood-work>.