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Title: Social Impact Bonds for Preschool? How School Leaders and Policymakers Understand Evidence-Based Preschool and Associated Outcomes

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Background:

Social Impact Bond (SIB), or Pay for Success (PFS), financing is a recent funding mechanism whereby private investors provide capital for a social intervention and are paid back by government outcome funders if the intervention is deemed successful. Social Impact Bond financing leverages existing research-based evidence on "what works," to support project development. In the United States, the Federal government has encouraged development of SIB projects through grants and legislation that support local governments in conducting feasibility studies to determine potential uses and limitations (*Bipartisan Budget Act of 2018*; White House, 2016).

Pre-kindergarten has been used as a social intervention in the United States for decades. Rigorous cost-benefit analyses have been conducted on early, small-scale programs that indicate social investment returns ranging from $3 to $17 for every dollar invested in high-quality programs (i.e., Heckman et al., 2010; Karoly, 2016). The precedent set by these studies gives local governments and investors a predicted return on investment and provides language for thinking about preschool as a "monetizable" intervention. Therefore, governments hoping to expand public preschool programs are able to add SIBs to their toolbox for potential funding mechanisms.

Objective:

The current study aims to (1) learn more about the state of public preschool in districts and states attempting to expand programming, specifically in terms of (a) current capacity, (b) quality elements, (c) partnerships, and (d) short- and long-term goals; and (2) understand from the perspective of those pursuing SIB feasibility studies (a) the challenges of expanding preschool funding and program capacity, and (b) the role of social impact financing as an alternative funding mechanism in pursuing expansion goals.

Setting:

In October 2016, the U.S. Department of Education released a call for proposals to fund local feasibility studies to determine the viability of SIB/PFS for supporting preschool enhancements. Twenty agencies applied for funding, and in December 2016 eight were granted awards totaling approximately $3 million. This qualitative study uses data collected from all applications and reviewer score sheets. Additionally, we reached out to conduct one-hour interviews with all applicants, to learn more about their experience with the grant process, feasibility studies, and overall preschool goals.

Participants:

Shown in Table 1, the population of study participants were those government agencies that applied for federal funding in 2016 to support SIB feasibility studies in the area of preschool expansion. Of the total population, one site was eliminated because they submitted a blank application; of the remaining 19, we were able to reach and conduct interviews with 12 agencies, including a mix of state, city, and county-level agencies.

Data Collection and Analysis:

An interview procedure and guide was created (see Appendix A) and semi-structured interviews were conducted, lasting approximately one hour each. Interviewees included executive staff members at the school (1), city (3), district (1), county (5), and state level (2). Transcribed interviews were coded using NVivo software. Analysis was conducted using a grounded theory approach to coding, following line-by-line coding procedures (Charmaz, 2014). Through initial line-by-line analysis, approximately 127 unique codes were identified (after removing duplicates or nearly identical codes, such as separate codes for "current" and "existing" program structures). Next, focused, thematic codes were developed by grouping nodes by theme, using the seven sections of the interview protocol as a general guide (Appendix B). Fourteen categories emerged, constructed around themes such as financing public preschool programs, goals for preschool expansion, data and evaluation, and building partnerships and partner capacity. The final categories and sample focus codes are shown in Appendix E.

A codebook was generated to extract data from applications, reviewer comments, and scores. Data from application coding supplement the interview analysis by providing additional background information and supporting empirical cross-comparison of applicant setting, capacity, and goals.

Findings:

Implementing and Supporting Quality Programs

Applications and Interviewees pointed to their use of program-wide Quality Rating and Improvement Systems (QRIS) as a key quality component of their preschool programs. Evaluation of QRIS use is ongoing and the federal government has invested significant capital to help collect and analyze QRIS validation data (Boller & Maxwell, 2015). Based on recent research, there is little evidence that higher QRIS scores are associated with higher student outcomes than programs with lower QRIS scores (Karoly, 2016; Sabol et al., 2013). Despite mixed evidence, local agencies appeared committed to the use of QRIS and pointed to these systems as evidence for their local preschool program quality and monitoring.

Agencies also pointed to the use of research-based curricula or specific program interventions. While most states require sites to use "research-based" curricula, this criterion is loosely defined and leaves open many options for providers. In fact, few publishers describe the evaluation research used to substantiate claims of efficacy (Clements, 2007). For example, nearly half of Head Start centers use the Creative Curriculum, described by the publisher as evidence-based, despite it being rated by What Works Clearinghouse as having "no discernable evidence" in promoting literacy and mathematics skills (Jenkins et al., 2016).

Conducting Evaluations

Award winners utilized grant resources to further determine "what works" in their current preschool program; many used this as an opportunity to conduct pilot studies or update existing evaluations and data systems. Interviewees repeatedly noted that most important feature of the grant was the ability to conduct a thorough needs assessment and support policy conversations regarding appropriate goals and measures for their public preschool programs.

Multiple applicants hoped to expand the use of research-based interventions, such as the social-emotional learning based Pyramid Model, or provide personal coaching for preschool teachers. Applicants that did receive feasibility study funding consistently noted how important

the grant was for providing time and space to critically evaluate current practices and goals in order to make an appropriate plan for preschool expansion.

Conclusions:

This study provides new information about state and local efforts to make sense of, unify, and expand their preschool service delivery, through the lens of conducting a SIB feasibility study. Additionally, the analysis of applications alongside federal review scores provides a sense of what is considered best practice, or even viable, for a SIB/PFS vehicle. Taken together, the data address questions regarding the use of evaluation, evidence, and cost-benefit planning by local government agencies, and the capacity for the use of SIBs to expand quality public preschool. Finally, evidence collected here provides helpful information for federal and local agencies as the next round of grant funding is released.

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Tables and Appendices

Table 1: U.S. Preschool Pay for Success Applications

Preschool Pay for Success Project Location	Applicant/Project Leaser	Award Status (2016)
Austin, Texas	Austin Independent School District	Not funded
Clatsop County, Oregon	Clatsop County and Northwest Oregon Kinder Ready Collaborative	Funded
Cuyahoga County, Ohio	Cuyahoga County Office of Early Childhood	Funded
Durham, North Carolina	Durham County	Not funded
Greenville, South Carolina	Legacy Charter School	Funded
Las Vegas, Nevada	City of Las Vegas Department of Youth Development and Strong Start Academy	Not funded
League City, Texas	Clear Creek and Hitchcock Independent School District	Not funded
Mecklenburg County, North Carolina	Mecklenburg County Government and Charlotte-Mecklenburg Schools	Funded
Napa Valley, California	Napa Valley Unified School District and Napa County Office of Education (NCOE)	Funded
New York State	New York State Office of Children and Family Services and Council on Children and Families	Not funded
Pittsburgh, Pennsylvania	Office of Early Childhood, and Citiparks	Not funded
Racine County, Wisconsin	Higher Expectations for Racine County and Racine County Public Schools	Not funded
Rio Rancho, New Mexico	Shining Stars Preschool	Not funded
Santa Clara County, California	Santa Clara County Office of Education	Funded
State of Colorado	Colorado Department of Human Services, Office of Early Childhood	Not funded
State of Hawaii	Office of Hawaiian Affairs and Institute for Native Pacific Education and Culture	Not funded
State of Minnesota	Minnesota Department of Education and school districts	Funded
State of Oklahoma	Oklahoma Department of Education	Not funded
Ventura County, California	Ventura County Office of Education and First 5 Ventura County	Funded
West Sacramento, California	Early Learning Services for the City of West Sacramento and Universal Preschool for West Sacramento	Not funded

Appendix A: Interview Guide

Section I: Questions for both winning and losing SIB feasibility pilot applications

Part A: Motivation

1. When did your organization first consider pursuing a Social Impact Bond as a means of financing your program and activities?
2. What reasons motivated you to develop a proposal for a Social Impact Bond feasibility pilot through the U.S. Department of Education?
3. Do you see the Social Impact Bond approach as a less risky approach to financing your program operations?
    a. How do you see your level of risk in comparison to the SIB investor in this project? In comparison to the SIB intermediary?

Part B: Grant Application and Planning

4. How much confidence did you have at the time you submitted your proposal that the proposed feasibility pilot could lead to a successful Social Impact Bond working arrangement? Please choose among the following:
    10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
5. What did (or do) you see as the strongest aspects of your Social Impact Bond feasibility pilot application?
6. What did (or do) you see as the weakest aspects of your Social Impact Bond feasibility pilot application?
7. What do you think is the most innovative or transformative feature of Social Impact Bonds?
8. How did you choose your evidence-based model for this Social Impact Bond project?
9. What other models did you consider? Are you confident in the evidence underlying your chosen model?
10. Do you plan to continue with this evidence-based model?

Part C: Partnerships

11. How did you identify your proposed project partners for the Social Impact Bond proposal?
12. Do the types of partners you considered or identified look any different than the collaborations you have formed in the past to conduct your work?
13. Did you identify a potential investor for your Social Impact Bond proposal? How did you go about this, or did an investor approach you to develop the proposal?
14. What do you see as most innovative about the Social Impact Bond approach to public-private partnerships (if anything)?
15. In what ways does (or would) a Social Impact Bond change the nature of your relationship to your project partners, compared to the typical ways you arrange contracts for service delivery or other program operations?
16. Did you select an independent evaluator for the Social Impact Bond project?

17. Have you used independent evaluators previously to assess the effectiveness of the work in your organization?
18. (If yes to both .16 and .17): Have you worked with this particular evaluator previously at your organization?

Part D: Preschool Program

19. Do you currently offer a public preschool program (aside from Head Start)?
    a. Where are preschool programs offered? (i.e., center-based, school-based, etc)
20. Of the students enrolling in public kindergarten in your area, what is the approximate proportion of students who have attended public preschool, Head Start, or private care?
21. Was there an existing public-private partnership to support/provide preschool prior to the Social Impact Bond project?
    a. What were the goals of that partnership?
22. Some national public preschool evaluations find that preschool intervention effects "fade out" by third grade.
    a. At this point, have you been able to track or determine any medium- or long-term outcomes?
    b. What do you see as the biggest challenge facing your current preschool program, in terms of its effectiveness towards long-term outcomes?
23. What is the estimated capacity of your current preschool program, in terms of classroom space, staff, and expenses?
    a. How was local capacity taken into account when undertaking the SIB feasibility proposal/study?

Section II: Questions for winning proposals only

Part E: Determining and Assigning Roles

24. Have you settled on an intermediary for carrying out your Social Impact Bond?
25. Have you settled on an investor for financing your Social Impact Bond?
26. Are you reaching out to populations that are otherwise less likely to be served (or more costly to serve)? How is this reflected in repayment terms for the SIB?
27. What types of roles are the intermediator and/or investor playing in executing the Social Impact Bond pilot activities?
28. What strategies have you used in the Social Impact Bond partnership to make key decisions, for example, in balancing stakeholder interests and authority over different aspects of the project?
29. How much influence does each Social Impact Bond project partner or stakeholder have in determining the following (note: please also indicate *which* partner(s) or stakeholder(s) have a role in these tasks):
    a. Which outcomes to measure
    b. The target population/eligibility criteria and number to serve
    c. Measures and methodologies for evaluation
    d. Terms of re-payment of investor(s) and timeline for re-payment
    e. Budget items
    f. Project deliverables?

30. Have any conflicts of interest or related problems emerged among the implementing partners?

Part F: Evidence and Evaluation

31. What types of evidence show that the proposed intervention could lead to government savings large enough to repay investors?
32. Did you conduct a cost-benefit analysis (CBA) to evaluate the viability of a SIB project?
    a. How did you determine the key cost/benefit components for the CBA?
    b. Is there a publicly available copy of the CBA that you could share with us?
33. Does the expectation for employing an evidence-based model limit (or support) the testing of new innovations?
34. Will you measure SIB program impacts with an experimental or quasi-experimental research design? How are the project deliverables linked to impact measures?
35. How will the intermediary/arbitrator determine how much should be repaid to the investor based on the results?
36. Have you established the terms of repayment in the contract, or have these provisions been discussed in the feasibility pilot?
37. At this point in the feasibility project, how much confidence do you have that your Social Impact Bond project will succeed? Please choose among the following:
    10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Section III: Questions for denied proposals only

Part G: Working Outside of the USDOE Grant

38. Having not been selected for the U.S. Dept of Education Social Impact Bond feasibility pilot, are you still pursuing a Social Impact Bond arrangement?
39. Are you pursuing your project/program goals through other means of collaboration or funding? (If so, what are you doing instead?)
40. Are you working to implement the evidence-based model included in your application? (Why or why not)?
41. How likely do you think it is that you will undertake a Social Impact Bond project in the future? Please choose among the following:
    10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Appendix B: Emergent Themes and Sample Codes

Thematic Category	Sample Focus Codes
Applicant and organization background information	Interviewee experience with SIB/PFS Applicant history with SIB/PFS Demographic information on district (/city/state)
Motivation to pursue PFS and Understanding of PFS structure	Technical understanding of SIB/PFS Experience with performance based contracting Using SIB/PFS as opportunity to innovate
Grant application and planning	Benefit of grant process Timeline of grant application and evaluation Difficulty with application
Motivation to expand preschool program	Public preschool as public good Demand for additional seats Belief in positive outcomes
Plans for preschool growth	Current plans to add seats Current plans to reform preschool __ (curriculum, teaching force, site expansion) Progress toward expansion (including financing)
Funding outside of PFS Feasibility grant	Existing financial capacity Legislative change Combination or "braided" funding
Program evaluation	Previous evaluation results Informal evaluation during application process Using PFS pilot program for evaluation
Data and evaluation methods	Availability of data Accessibility
Preschool outcomes	Measuring outcomes Long- vs. short-term outcomes Potential outcomes of interest
Evidence based or "quality" features of preschool program	Implementing evidence based changes Current features of preschool program Quality indicators
Capacity	Finding capacity (facility, instructional) for expansion Current capacity (facility, instructional) Capacity challenges to feasibility
Partnerships	Experience with contracting Primary partnerships: technical assistance Working with intermediary
Policies and politics	District (city/state) commitment to preschool Use of political capital District (city/state) changes to address project (funding, evaluation, data)