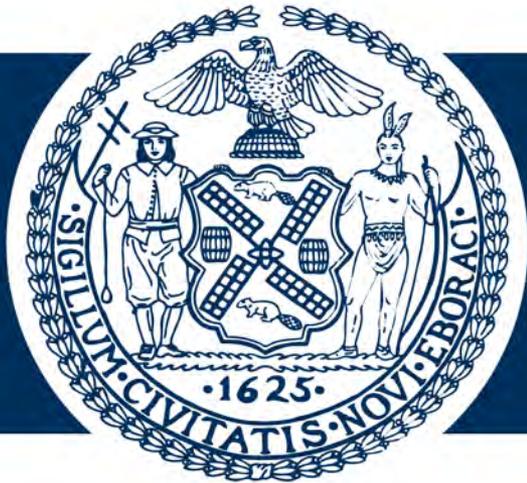


The Centre for Literacy Fall Institute 2012  
Social Finance and Innovation  
for Adult Basic Learning:  
Opportunities and Challenges  
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# Bringing Social Impact Bonds to New York City

**The City of New York**

**Michael R. Bloomberg**  
Mayor



# What are Social Impact Bonds?

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- A Social Impact Bond is an investment vehicle designed to encourage private funding for promising social programs
  - Taps into new funding opportunities
  - Private investors fund a program's delivery and operations
- Public sector commits to paying the contractor only if improved social outcomes are achieved
  - Taxpayers only pay for interventions that work
- Third-party evaluation confirms that outcomes have been achieved before investors can be paid
- Concept is relatively new and New York City will be the first in the nation to implement this innovative financing model



# What are the Benefits?

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- Investing in outcomes to improve the lives of those in need
- Government is able to preserve public resources for successful interventions while still encouraging innovation in a time of fiscal constraints
  - Savings can be recaptured and reinvested into a permanent funding stream for the program
  - Accelerate adoption and implementation of promising programs
  - Brings added discipline to measuring outcomes for government programs because there is an upfront agreement on how to measure success
- Nonprofit providers receive a committed funding stream not subject to budget cuts
- Can produce financial returns for private investors, who assume the risk while achieving a public good



# Partners

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- **Goldman Sachs** funds the project's delivery and operations through a \$9.6 million loan to MDRC;
- **Bloomberg Philanthropies** provides a \$7.2 million grant to MDRC to guarantee a portion of the investment;
- **MDRC** oversees the day-to-day implementation of the project and manages the Osborne Association and Friends of Island Academy, the two non-profit service providers that deliver the intervention;
- **The Vera Institute of Justice**, an independent evaluator, determines whether the project achieves the targeted reductions in reincarceration;
- **The Department of Correction** pays MDRC based on reduced re-admissions and the associated cost savings and MDRC then pays the private investor.



# Addressing Adolescent Incarceration in NYC

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- **Issue:** those who enter jail as adolescents (16- to 18-year olds) have a high likelihood of re-entering the system in the years following their release
  - Nearly 50% of 16- to 18-year-olds who leave Rikers return within one year
- **Program:** Adolescent Behavioral Learning Experience (“ABLE”)
  - Provide evidence-based intervention to 16-18 year olds in DOC custody at Rikers Island and after release in the community
  - The goal is to improve social decision-making, problem solving and self-control skills management.
  - Estimated roughly 3,000 adolescents served each year for 4 years
  - The Osborne Association and Friends of Island Academy will deliver the intervention through trained facilitators working closely with DOE and DOC staff
  - Part of Mayor’s Young Men’s Initiative and the City’s commitment to improving outcomes for young black and Latino men
- **Goal:** to decrease participants’ likelihood of future criminal behavior and reincarceration
- **Budget:** \$2.4 million annually for 4 years



# Funding & Payment: The SIB Component of ABLE

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- Goldman Sachs will invest \$9.6 million in the intervention, fully funding the ABLE program at Rikers Island during its implementation. This investment will be structured as a loan to MDRC, a leading non-profit.
- The Goldman Sachs loan to MDRC will ensure successful implementation of the ABLE program at Rikers.
- Bloomberg Philanthropies will make a grant to MDRC in the amount of \$7.2 million over that same four-year period. This grant will be held by MDRC in a guarantee fund to back the loan.
- DOC will be obligated to pay for these services only if the ABLE program achieves predetermined reincarceration reduction targets that produce cost savings for the City.
  - In this model, government and taxpayers only pay for success.
- Payments for services performed are tied to the program's success and are made from DOC to MDRC. MDRC, in turn, repays its lender, Goldman Sachs.



# Payment Terms for Final Evaluation (4 Years of Investment)

Reduction in Reincarceration	City Payment to MDRC (\$)	Projected Long-Term City Net Savings (\$)*
≥20.0%	\$11,712,000	\$20,500,000
≥16.0%	\$10,944,000	\$11,700,000
≥13.0%	\$10,368,000	\$7,200,000
≥12.5%	\$10,272,000	\$6,400,000
≥12.0%	\$10,176,000	\$5,600,000
≥11.0%	\$10,080,000	\$1,700,000
≥10.0% ( <i>breakeven</i> )	\$9,600,000	\$ ≥ 1,000,000
≥8.5%	\$4,800,000	\$ ≥ 1,000,000

\* Savings after repayment and continued funding for program delivery.