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Final Report of the Task Force on Public-private Partnerships To Support Public Education

Maine State Legislature

Maine Office of Policy and Legal Analysis

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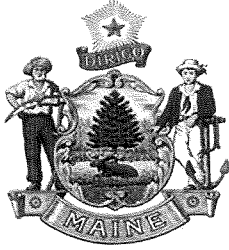
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**STATE OF MAINE
128th LEGISLATURE
FIRST REGULAR SESSION**

**Task Force on Public-private Partnerships
To Support Public Education**

January 2017

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Executive Summary

The Task Force on Public-private Partnerships to Support Public Education (“Task Force”) was established during the Second Regular Session of the 127th Legislature by Resolve 2015, Chapter 89 (LD 1675, “Resolve, To Create the Task Force on Public-private Partnerships to Support Public Education”). The Task Force was comprised of 12 members, including three legislators and nine individuals with expertise in Maine public education financing and performance-based contracting in the social sector or social impact partnerships. The Task Force was charged with conducting a study of performance-based contracting and social impact partnerships to support public education.

Policy Levers to Enhance the Use of Performance-based Contracting and Social Impact Partnerships to Support Public Education in Maine

In carrying out its work, the Task Force researched various aspects of governmental policy levers related to the use of performance-based contracting, including Pay for Success (“PFS”) contracts and social impact bond (“SIB”) partnerships with private foundations and philanthropists to support social sectors and public education districts.

Social impact or performance-based investment models exist to:

- ❖ Use outcomes data to **better target and match** populations to services;
- ❖ Ensure **taxpayer dollars support successful solutions** and outcomes rather than poor or unknown outcomes;
- ❖ Develop **problem-based procurements** that solicit innovative and evidence-based solutions;
- ❖ Use contracts to **set clear, meaningful outcome targets**, tying a portion of payments to performance when appropriate;
- ❖ Shift contract management from a compliance-oriented activity to a **performance-oriented approach**; and
- ❖ Create mechanisms to **rigorously evaluate programmatic impact**, and use that learning to inform future spending.

The Task Force’s findings and recommendations are presented within the context of three prevalent strategies that Task Force members concluded are essential policy levers for the Maine Department of Education (and other state agencies), the Legislature’s Education Committee (and other legislative committees), educators, local school officials, state education associations, state and local government officials and private or social sector organizations in the State to pursue:

1. **Overarching goal**: Design an overarching goal for enhancing public-private partnerships to support public education;

2. Feasibility study: Conduct a feasibility study that examines proposed strategies using a Pay for Success (PFS) or results-driven contract model to fund a selected public education project; and

3. Rules of engagement: Provide a clear outline of the potential technical and financial responsibilities of each role represented within PFS or results-driven contract models.

The Task Force proposes that the Legislature considers the following strategies and recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education in Maine.

STRATEGY 1: OVERARCHING GOAL DESIGNATION

Designating an Overarching Goal for Enhancing Public and Private Partnerships to Support Public Education

Findings

The recent Maine Education Policy Research Institute’s (“MEPRI”) report on the use of Social Impact Bonds (“SIBs”) for funding education in Maine indicated that in 2013-14, public kindergartens in the state enrolled approximately 13,500 students which suggests that prekindergarten (“pre-K”) enrollment in Maine’s public preschools served less than 40% of eligible children. The Maine Economic Growth Council’s “*Measures of Growth 2016*” report called attention to the National Assessment of Educational Progress’s (“NAEP”) fourth grade reading scores for Maine students. The percentage of Maine students scoring at or above the fourth grade reading score proficiency rate in 2015 was 36% (as compared to 43% of New England students and 35% of United States students). While the Maine Economic Growth Council proposed that 50% of Maine students should score at or above the NAEP proficiency rate by 2020, Maine student’s progress does not appear to be significant relative to the benchmark. Task Force members expressed their desire to focus efforts to improve kindergarten readiness and literacy rates for children by age eight (up to the third grade) in order to achieve the student performance benchmark.

Maine is falling short of the proficiency rates for third grade literacy levels and also has room for improvement in kindergarten readiness. Data shows that roughly 35% of Maine students entering kindergarten have significant behavioral issues; and there is a tremendous amount of capability to help improve proficiency rates and behavior, but the State often runs into roadblocks on how to pay for their promotion and sustainability.

Educare Central Maine (“Educare”) has coordinated Early Head Start, Head Start, public pre-K and private childcare to serve enrolled infants, toddlers and three and four year old low-income children in infant-toddler classrooms and preschool classrooms for the past seven years in Waterville. Educare’s evaluator reported results, evaluation and elements to consider for a social investment project for early childhood and preschool programs. Educare, which partners with five school districts in Maine at the regional level, proposes that preschool “dosage” (full

days and a full year) matters and advises that students, especially low-income children, need at least three years of high-quality learning environments to meet goals and outcomes to maximize children's learning. The Maine Early Learning Investment Group ("MELIG") has partnered with Educare, RSU #54 (Skowhegan, Canaan, Norridgewock), and the workforce development and adult education collaborative to replicate the Educare two-generation model in a rural setting. Another two-generation model in Maine, the Barbara Bush Foundation for Family Literacy model, focuses simultaneously on early childhood education for preschoolers and adult literacy for their parents. This model also measures pre-assessment and post-assessment progress on standardized tests in their programs.

The Deputy Commissioner of the Maine Department of Education ("DOE") presented his consideration of public-private partnerships to support public education. He indicated that the DOE is working on establishing a pilot program for public-private partnerships collaborating with the Department of Corrections and the Department of Health and Human Services and a philanthropic private donor. The pilot program would support nine superintendent regions in state; identify schools with highest level of free and reduced lunch students and schools with the lowest level of parent education to develop adult education targeting for parents; identify mechanisms to provide ongoing daily support services and coaching for literacy; provide laptop programs for every student; focus on a variety of resources to enhance student literacy education in kindergarten through third grade; and expand labor force programs for adults in corrections. Members of the Task Force propose a continued connection with the DOE to engage their support for the Task Force's proposal to have state policymakers in Maine State government's executive and legislative branches collaborate with the Harvard Kennedy School's Government Performance Lab, the Social Finance organization, and with public and private partners in Maine foundations (e.g., Barbara Bush Foundation, Libra Foundation, John T. Gorman Foundation, etc.), to assist with implementing a PFS pilot project for improving third grade students' literacy performance in Maine.

The Task Force focused on policies, projects and programs in other states' performance-based contracts and public-private partnerships, and members debated how such models should be followed or altered to enhance financial assistance for Maine's pre-K and early childhood education programs and services. Task Force members reached consensus to establish a pilot project to implement a program funded via a PFS performance-based contract model or SIB loans from private investors. The PFS funding model projects allow for experimentation within an evidence-based set of strategies, with the government payment based on outcomes instead of quantity of services. The SIBs serve as an upfront financing device as well as collaborative engagement of private and public stakeholders in outcomes-based exploration of effective public services. The incorporation of preliminary steps, including feasibility studies and pilot implementation projects in these models, can improve state and local government assessments of the impact of the service or intervention before public funds are requested to support longer-term or statewide implementation.

Recommendation #1. The overarching goal is to implement a performance-based, public-private partnership approach to financing public education, such as a Pay for Success (PFS) funding model, to expand early childhood (including early childhood objectives that focus on educational, as well as social and emotional health) and pre-K education programs that can

help increase students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

STRATEGY 2: FEASIBILITY STUDY

Conduct a Feasibility Study That Examines Proposed Strategies Using a Pay for Success or Results-driven Contract Model to Fund a Selected Public Education Project

Findings

The Harvard Kennedy School Government Performance Lab introduced its Request for Proposals (“RFP”) for technical assistance with Pay for Success (“PFS”) projects using social impact bonds (“SIBs”) and performance improvement projects to the Task Force. Several Task Force members and staff observed the Harvard Lab’s webinar on their RFP timelines for selecting and providing the next two rounds of technical assistance project awards for up to nine state or local governments. The upcoming RFP applications are due by March 15, 2017. The Harvard Lab offers to provide technical assistance to individual state or local governments, cohorts of governments, or cross-jurisdictional partnerships. While the primary applicant must be a state or local government, governments can also apply with private and/or social sector organizations as partners.

The Harvard Lab also offers to provide short-term technical assistance to governments that submits a request to enter into a memorandum of understanding (“MOU”) for an independent review of the components of Pay for Success (PFS) projects that are in the forward-thinking stages of development. The Harvard Lab offers to review such short-term technical assistance requests from governments for entering into an MOU on a rolling basis.

“Factors to evaluate when exploring a Pay for Success project:

- A. **Enthusiasm and commitment** among an Administration’s leadership -- it should be a high-priority issue;*
- B. **Potential for a broad, scalable impact** -- setting up PFS projects can be time- and labor-intensive, so only projects with sufficient scale should be considered;*
- C. **Possibility of high net benefits**;*
- D. **Potential for rigorous evaluation** -- measurable outcomes, reliable comparison group or counterfactual;*
- E. **Well-defined treatment population**; and*
- F. **Potential payer(s).**”*

-- Harvard Kennedy School Government Performance Lab (September 2016)

The Task Force considered the following two options for engaging with the Harvard Lab (or with another technical assistance organization) to design a plan to establish a PFS pilot project for improving third grade students' literacy results in Maine: (1) to submit an RFP in March 2017 for the federal and private grant funds provided to the Harvard Lab to engage with states and jurisdictions to create PFS programs; or (2) to submit a formal request in collaboration with the executive branch's state agencies, the legislative branch's joint standing committees, school districts and private foundations, to the Harvard Lab (or another technical assistance organization) to provide technical assistance support for the best PFS model for Maine.

Recommendation #2. As it is unlikely that Maine government officials could put forward an RFP to the Harvard Kennedy School Government Performance Lab in time for the March 2017 application deadline, most Task Force members concurred with the proposal that the Maine State Government should submit a request as soon as possible to enter into a memorandum of understanding ("MOU") with the Harvard Lab (or another technical assistance organization) to conduct a feasibility study that examines proposed strategies using a PFS or results-driven contract model to fund a public education project designed to increase Maine students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

The Task Force also proposes that the Legislature's Joint Standing Committee on Education and Cultural Affairs considers introducing a joint order or a resolve, as soon as possible, to direct the Maine State Government's executive branch agencies and the legislative branch's joint standing committees to collaborate and establish a request for an independent review of a feasibility study to be provided by the Harvard Lab (or by another "third party" technical assistance organization). The legislative document should also propose that the following provisions be considered for inclusion in the terms of the MOU entered into with the "third party" technical assistant organization.

- ❖ During the feasibility study, the government collaborators and technical assistance organization members should invite stakeholders, including educators, local school officials, state education associations, state and local government officials and private or social sector organizations to provide feedback to the feasibility study group.
- ❖ Upon completion of the feasibility study, the government collaborators and technical assistant organization members should submit the feasibility study report, including the feasibility study review process and the proposed plans for a PFS contract model pilot project and project evaluation to the Legislature's Joint Standing Committee on Education and Cultural Affairs (and other joint standing committees).
- ❖ The feasibility study report should also be made available to stakeholders and the public by being posted on the Department of Education's (and other state agencies') publicly accessible website along with any documents pertaining to the feasibility studies, contracts, and evaluation plans related to the proposed PFS pilot project.
- ❖ Upon receipt and review of the feasibility study report, the Legislature's Joint Standing Committee Education and Cultural Affairs (and other joint standing committees) should have

the authority to submit legislation to implement a PFS contract model pilot project or an ongoing program to create mechanisms to establish and fund early childhood programs and pre-K education programs that can help increase Maine students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

The feasibility study group should consider the following provisions to determine how, and under what conditions, a PFS program could be implemented in Maine to increase students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade:

- ❖ Identify the remaining unmet need for additional pre-K and early childhood education services in Maine;
- ❖ Identify a target population;
- ❖ Identify and assess potential service models with specified outcomes and capacity for expansion or establishment in the public education system, with emphasis on models that include evidence-based curricula and comprehensive staff training;
- ❖ Assess data, legal, and regulatory systems;
- ❖ Assess current contracting options and potential for establishing legal contracting opportunities necessary within PFS or other results-driven models;
- ❖ Engage local funder community;
- ❖ Develop recommendations for further action, including pilot service project;
- ❖ Identify and engage community and government stakeholders; and
- ❖ Identify local and national sources of capital.

STRATEGY #3: RULES OF ENGAGEMENT

Provide a Clear Outline of the Potential Technical and Financial Responsibilities of Each Role Represented Within PFS or Results-Driven Contract Models

Findings

“The term ‘pay for success initiative’ means a performance-based grant, contract, or cooperative agreement awarded by a public entity in which a commitment is made to pay for improved outcomes that result in social benefit and direct cost savings or cost avoidance to the public sector.”

-- Definition of Pay for Success Initiative, (Every Student Succeeds Act)

There is a fundamental agreement among members of the Task Force that comprehensive early childhood and pre-K programs establish a strong educational foundation which provides tools for academic success and continued learning. Such programs also support a child's ongoing emotional and social well-being. An additional, more long-term benefit that is universally accepted by the Task Force is the decrease in the need for certain services and interventions, which are often associated with the absence of an environment that supports a child's emotional health, social skills and educational success.

Outcomes reflecting these long-term benefits can serve as performance measures of educational services and can be incorporated into determinations of success within performance-based financing or funding contracts. For this purpose, such outcomes would need to be quantified to forecast potential savings to the State from a decrease in needed services, such as educational remediation programming and interventions from criminal justice agencies.

However, the Task Force notes that although these long-term benefits can be quantified for certain elements of the performance-based financing model, a source of revenue must be identified in order for the State to meet its contractual repayment obligations to investors. In addition, sources of funds to pay other involved parties required to establish, monitor and evaluate both the educational service and the funding contract are necessary. In a PFS model, this usually includes: (a) additional staff at state and local level dedicated specifically to the development, oversight and management of payments and services related to contracts; (b) an intermediary organization to raise and manage funds as well as structure contracts; and (c) the external evaluator to determine "success" of services.

The State, which arguably assumes the least up-front risk from a financial perspective, is obligated to use taxpayer dollars to pay for the contracted services, (for early childhood development programs in this case), which demonstrate that the programs have met performance measures. In some cases, the State may also use public or private funds for independent evaluators and state staff determined to be necessary to facilitate the program under the PFS model. Although the State's financial risk is relatively smaller than that of the other investment partners under this structure, it is critical that a source of revenue be identified for deposit in a dedicated fund established for the purpose of making payments to the service provider.

Recommendation #3. Prior to entering into a Pay for Success Financing model contract for funding early childhood education services, whether a pilot project or a statewide program, the Legislature should dedicate a source of revenue for payment under the legal obligations of performance-based financing contracts.

I. INTRODUCTION

The Task Force on Public-private Partnerships to Support Public Education (“Task Force”) was established during the Second Regular Session of the 127th Legislature by Resolve 2015, chapter 89 (LD 1675, “Resolve, To Create the Task Force on Public-private Partnerships to Support Public Education”). A copy of the legislation authorizing the Task Force is attached as **Appendix A**. The Task Force was comprised of 12 members, including three legislators and nine individuals with expertise in Maine public education financing and performance-based contracting in the social sector or social impact partnerships. The Task Force members included:

- ❖ One member of the Maine Senate and two members of the Maine House of Representatives;
- ❖ Six members with experience in performance-based contracting in the social sector or social impact partnerships, (including two individuals representing philanthropic organizations, two individuals representing business interests and two individuals representing financing interests);
- ❖ An elementary school principal representing the Maine Principals’ Association;
- ❖ A member of the Maine Education Policy Research Institute; and
- ❖ The Commissioner of Education’s designee.

The Task Force membership list is attached as **Appendix B**.

The Task Force was established to conduct a comprehensive study of available public-private funding models to support public education. The Task Force was directed to undertake the following duties:

- ❖ Conduct a comprehensive study of performance-based contracting and social impact partnerships for public education;
- ❖ Research the various aspects of the issues related to using performance-based contracting and social impact partnerships to support public education; and
- ❖ Prepare a report with recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education.

The Task Force was charged to submit a final report, including its findings, recommendations and suggested legislation, for presentation to the First Regular Session of the 128th Legislature no later than January 15, 2017. The resolve that created this Task Force also provides the joint standing committee of the Legislature having jurisdiction over education and cultural affairs the authority to report out a bill, based upon the final report of the Task Force, to the First Regular Session of the 128th Legislature.

II. OBSERVATIONS OF PERFORMANCE-BASED CONTRACTING AND SOCIAL IMPACT PARTNERSHIPS FOR PUBLIC EDUCATION

A. Overview of committee process.

The Task Force held four meetings at the State Capitol in Augusta on the following dates: September 22, 2016; October 14, 2016; November 7, 2016; and December 13, 2016. All meetings were open to the public and were broadcast by audio transmission over the internet. The agendas, meeting summaries and other documents provided to the members during and between the Task Force meetings are posted on the Maine Legislature’s website and are available online at: <http://www.maine.gov/legis/opla/educationpartnerships.htm>. A detailed summary of the meetings may be found in **Appendix C**.

B. Observations: what the committee learned over the course of its four meetings.

During its first meeting on September 22, 2016, the Task Force received background information and preliminary data related to the scope of issues in other states and jurisdictions that have been using performance-based contracting and social impact partnerships to support social and emotional health, address homelessness, promote juvenile and criminal justice, support workforce development, and provide early childhood and prekindergarten education. The following are important highlights of what the Task Force learned during this meeting.

- ❖ Social impact bonds (SIBs) are a way of providing initial resources to support innovative public services or new organizational structures for providing essential social services and public education.
- ❖ Pay-for-performance contracts can be complicated and generally require well-thought-out policies and structures to guide government officials in using them.
- ❖ Rigorous research findings are important to guide selection of a targeted educational service.
- ❖ “Pay for Success” (PFS) projects are growing around the U.S. (one in 2012, one in 2013, four in 2014, two in 2015, and approximately eight in 2016 and 2017); PFS projects allow for experimentation.

At its second meeting on October 14, 2016 the Task Force discussed concerns about Maine lagging behind national averages in education and considered the potential of PFS models creating funding mechanisms to enhance the establishment of early childhood education programs in Maine schools and to increase student performance to meet literacy rates by grade three. The Task Force also learned that the Maine DOE is currently working on a pilot program that has not yet been announced, with a preliminary test to occur before the 128th Legislature convenes; the pilot program will include the hiring of the best literacy teachers in the state to work at the lowest performing schools in nine different regions of the State.

At its third meeting on November 7, 2016 the Task Force received further briefings from recognized experts, practitioners and state agency officials on elements related to social impact

partnerships and performance-based contracting models that support public education. This meeting included briefings and deliberations on the compatibility and viability of social investment project elements and PFS models in other states and jurisdictions that focus on improving student literacy performance by grade three. The following are important highlights of what the Task Force learned at this meeting.

- ❖ Educare Central Maine (“ECM”), one of 22 Educare schools nationwide engaged in a public-private partnership (partners are Kennebec Valley Community Action program, Head Start and Early Head Start programs, Buffet Early Childhood Fund, and Bill and Joan Alford Foundation) has served over the past six years as Waterville’s public preschool program for three and four year olds. Lessons offered from the ECM experience include:
 - “Dosage” (full-day and full-year programs) can make a great difference in maximizing children’s learning;
 - It is important to ensure commitment to high quality teaching practices, to offer low child-staff ratios, and to build trusting relationships with supportive adults; and
 - Evaluation of programs is important for continuous program quality improvement.

A summary from the Educare Central Maine evaluation may be found in the detailed summary of the meetings in **Appendix C**.

- ❖ The Task Force learned about Chicago’s Child Parent Center Pay-for-Success Initiative. A summary of that initiative, the reasons for its creation, its structure and results may also be found in the detailed summary of the meetings in **Appendix C**. The Task Force also learned generally about actions in other states with respect to PFS projects. Key points included:
 - Legislation is often not needed to allow participation in a PFS project. There generally needs merely to be a law permitting multi-year contracts. The only other impediment can sometimes be constraints on performance-based or pay-for-success contracts in the current laws (most states do not have such constraints);
 - Helpful legislation that has been considered in other states:
 - Specific authorization of PFS transactions for either specific issue areas or more broadly (the authorizations can include specific terms regarding evaluation requirements, contents of PFS contracts, term limits, etc.); and
 - Legislation that mitigates risks for investors by putting the state's full faith and credit behind outcome payments. Only Massachusetts, to date, has done this. Other states have included in the PFS contract an obligation of the state to make investors and other parties whole in the case of an appropriations failure. (Note: there may be constitutional limits on the ability of the state to bind itself under such obligations.)

A table summarizing these legislative initiatives may be found in the detailed summary of the meetings in **Appendix C**. Another table that provides examples of states and jurisdictions that, to date, have passed legislation related to authorizing the establishment of PFS programs is attached as **Appendix D**.

At the fourth and final meeting of the Task Force on December 13, 2016, members presented various proposals for consideration and the Task Force discussed the merits and drawbacks of each, finally reaching a consensus on a collection of strategic directions and policy recommendations. Section III of this report includes the findings, strategies and recommendations that were considered and supported by consensus of the Task Force members at the fourth meeting of the Task Force.

A list of resources provided to the Task Force throughout the course of the work of the Task Force is attached as **Appendix E**.

III. PROPOSED STRATEGIES AND RECOMMENDATIONS TO ENHANCE PUBLIC-PRIVATE PARTNERSHIPS TO SUPPORT PUBLIC EDUCATION

Policy Levers to Enhance the Use of Performance-based Contracting and Social Impact Partnerships to Support Public Education in Maine

Resolve 2015, chapter 89, “Resolve, To Create the Task Force on Public-private Partnerships to Support Public Education,” directed the Task Force to conduct a study on performance-based contracting and social impact partnerships to support public education and to submit a report that includes strategies, recommendations and suggested legislation for presentation to the First Regular Session of the 128th Legislature. In carrying out its work, the Task Force researched various aspects of governmental policy levers related to the use of performance-based contracting, including Pay for Success (“PFS”) contracts and social impact bond (“SIB”) partnerships with private foundations and philanthropists to support social sectors and public education districts.

Social impact or performance-based investment models exist to:

- ❖ Use outcomes data to **better target and match** populations to services;
- ❖ Ensure **taxpayer dollars support successful solutions** and outcomes rather than poor or unknown outcomes;
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1. **Overarching goal**: Design an overarching goal for enhancing public-private partnerships to support public education;
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3. **Rules of engagement**: Provide a clear outline of the potential technical and financial responsibilities of each role represented within PFS or results-driven contract models.

The Task Force proposes the following strategies and recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education in Maine.

STRATEGY 1: OVERARCHING GOAL DESIGNATION

Designating an Overarching Goal for Enhancing Public and Private Partnerships to Support Public Education

Findings

The recent Maine Education Policy Research Institute’s (“MEPRI”) report on the use of Social Impact Bonds (“SIBs”) for funding education in Maine indicated that in 2013-14, public kindergartens in the state enrolled approximately 13,500 students which suggests that prekindergarten (“pre-K”) enrollment in Maine’s public preschools served less than 40% of eligible children. The Maine Economic Growth Council’s “*Measures of Growth 2016*” report called attention to the National Assessment of Educational Progress’s (“NAEP”) fourth grade reading scores for Maine students. The percentage of Maine students scoring at or above the 4th grade reading score proficiency rate in 2015 was 36% (as compared to 43% of New England students and 35% of United States students). While the Maine Economic Growth Council proposed that 50% of Maine students should score at or above the NAEP proficiency rate by 2020, Maine student’s progress does not appear to be significant relative to the benchmark. Task Force members expressed their desire to focus efforts to improve kindergarten readiness and

literacy rates for children by age eight (up to the third grade) in order to achieve the student performance benchmark.

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The Deputy Commissioner of the Maine Department of Education (“DOE”) presented his consideration of public-private partnerships to support public education. He indicated that the DOE is working on establishing a pilot program for public-private partnerships collaborating with the Department of Corrections and the Department of Health and Human Services and a philanthropic private donor. The pilot program would support nine superintendent regions in state; identify schools with highest level of free and reduced lunch students and schools with the lowest level of parent education to develop adult education targeting for parents; identify mechanisms to provide ongoing daily support services and coaching for literacy; provide laptop programs for every student; focus on a variety of resources to enhance student literacy education in kindergarten through third grade; and expand labor force programs for adults in corrections. Members of the Task Force propose a continued connection with the DOE to engage their support for the Task Force’s proposal to have state policymakers in Maine State government’s executive and legislative branches collaborate with the Harvard Kennedy School’s Government Performance Lab, the Social Finance organization, and with public and private partners in Maine foundations (e.g., Barbara Bush Foundation, Libra Foundation, John T. Gorman Foundation, etc.), to assist with implementing a PFS pilot project for improving third grade students’ literacy performance in Maine.

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Recommendation #1. The overarching goal is to implement a performance-based, public-private partnership approach to financing public education, such as a Pay for Success (PFS) funding model, to expand early childhood (including early childhood objectives that focus on educational, as well as social and emotional health) and pre-K education programs that can help increase students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

STRATEGY 2: FEASIBILITY STUDY

Conduct a Feasibility Study That Examines Proposed Strategies Using a Pay for Success or Results-driven Contract Model to Fund a Selected Public Education Project

Findings

The Harvard Kennedy School Government Performance Lab introduced its Request for Proposals (“RFP”) for technical assistance with Pay for Success (“PFS”) projects using social impact bonds (“SIBs”) and performance improvement projects to the Task Force. Several Task Force members and staff observed the Harvard Lab’s webinar on their RFP timelines for selecting and providing the next two rounds of technical assistance project awards for up to nine state or local governments. The upcoming RFP applications are due by March 15, 2017. The Harvard Lab offers to provide technical assistance to individual state or local governments, cohorts of governments, or cross-jurisdictional partnerships. While the primary applicant must be a state or local government, governments can also apply with private and/or social sector organizations as partners.

The Harvard Lab also offers to provide short-term technical assistance to governments that submits a request to enter into a memorandum of understanding (“MOU”) for an independent review of the components of Pay for Success (PFS) projects that are in the forward-thinking stages of development. The Harvard Lab offers to review such short-term technical assistance requests from governments for entering into an MOU on a rolling basis.

“Factors to evaluate when exploring a Pay for Success project:

- A. **Enthusiasm and commitment** among an Administration’s leadership -- it should be a high-priority issue;*

- B. Potential for a broad, scalable impact -- setting up PFS projects can be time- and labor-intensive, so only projects with sufficient scale should be considered;*
- C. Possibility of high net benefits;*
- D. Potential for rigorous evaluation -- measurable outcomes, reliable comparison group or counterfactual;*
- E. Well-defined treatment population; and*
- F. Potential payer(s).”*

-- Harvard Kennedy School Government Performance Lab (September 2016)

The Task Force considered the following two options for engaging with the Harvard Lab (or with another technical assistance organization) to design a plan to establish a PFS pilot project for improving third grade students’ literacy results in Maine: (1) to submit an RFP in March 2017 for the federal and private grant funds provided to the Harvard Lab to engage with states and jurisdictions to create PFS programs; or (2) to submit a formal request in collaboration with the executive branch’s state agencies, the legislative branch’s joint standing committees, school districts and private foundations, to the Harvard Lab (or another technical assistance organization) to provide technical assistance support for the best PFS model for Maine.

Recommendation #2. As it is unlikely that Maine government officials could put forward an RFP to the Harvard Kennedy School Government Performance Lab in time for the March 2017 application deadline, most Task Force members concurred with the proposal that the Maine State Government should submit a request as soon as possible to enter into a memorandum of understanding (“MOU”) with the Harvard Lab (or another technical assistance organization) to conduct a feasibility study that examines proposed strategies using a PFS or results-driven contract model to fund a public education project designed to increase Maine students’ kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

The Task Force also proposes that the Legislature’s Joint Standing Committee on Education and Cultural Affairs considers introducing a joint order or a resolve as soon as possible to direct the Maine State Government’s executive branch agencies and the legislative branch’s joint standing committees to collaborate and establish a request for an independent review of a feasibility study to be provided by the Harvard Lab (or by another “third party” technical assistance organization). The legislative document should also propose that the following provisions be considered for inclusion in the terms of the MOU entered into with the “third party” technical assistant organization.

- ❖ During the feasibility study, the government collaborators and technical assistance organization members should invite stakeholders, including educators, local school officials, state education associations, state and local government officials and private or social sector organizations to provide feedback to the feasibility study group.

- ❖ Upon completion of the feasibility study, the government collaborators and technical assistant organization members should submit the feasibility study report, including the feasibility study review process and the proposed plans for a PFS contract model pilot project and project evaluation to the Legislature's Joint Standing Committee Education and Cultural Affairs (and other joint standing committees).
- ❖ The feasibility study report should also be made available to stakeholders and the public by being posted on the Department of Education's (and other state agencies') publicly accessible website along with any documents pertaining to the feasibility studies, contracts, and evaluation plans related to the proposed PFS pilot project.
- ❖ Upon receipt and review of the feasibility study report, the Legislature's Joint Standing Committee Education and Cultural Affairs (and other joint standing committees) should have the authority to submit legislation to implement a PFS contract model pilot project or an ongoing program to create mechanisms to establish and fund early childhood programs and pre-K education programs that can help increase Maine students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade.

The feasibility study group should consider the following provisions to determine how, and under what conditions, a PFS program could be implemented in Maine to increase students' kindergarten readiness and educational performance as related to demonstrating proficiency in reading and writing literacy by the third grade:

- ❖ Identify the remaining unmet need for additional pre-K and early childhood education services in Maine;
- ❖ Identify a target population;
- ❖ Identify and assess potential service models with specified outcomes and capacity for expansion or establishment in the public education system, with emphasis on models that include evidence-based curricula and comprehensive staff training;
- ❖ Assess data, legal, and regulatory systems;
- ❖ Assess current contracting options and potential for establishing legal contracting opportunities necessary within PFS or other results-driven models;
- ❖ Engage local funder community;
- ❖ Develop recommendations for further action, including pilot service project;
- ❖ Identify and engage community and government stakeholders; and
- ❖ Identify local and national sources of capital.

STRATEGY #3: RULES OF ENGAGEMENT

Provide a Clear Outline of the Potential Technical and Financial Responsibilities of Each Role Represented Within PFS or Results-Driven Contract Models

Findings

“The term ‘pay for success initiative’ means a performance-based grant, contract, or cooperative agreement awarded by a public entity in which a commitment is made to pay for improved outcomes that result in social benefit and direct cost savings or cost avoidance to the public sector.”

-- Definition of Pay for Success Initiative, (Every Student Succeeds Act)

There is a fundamental agreement among members of the Task Force that comprehensive early childhood and pre-K programs establish a strong educational foundation which provides tools for academic success and continued learning. Such programs also support a child’s ongoing emotional and social well-being. An additional, more long-term benefit that is universally accepted by the Task Force is the decrease in the need for certain services and interventions, which are often associated with the absence of an environment that supports a child’s emotional health, social skills and educational success.

Outcomes reflecting these long-term benefits can serve as performance measures of educational services and can be incorporated into determinations of success within performance-based financing or funding contracts. For this purpose, such outcomes would need to be quantified to forecast potential savings to the State from a decrease in needed services, such as educational remediation programming and interventions from criminal justice agencies.

However, the Task Force notes that although these long-term benefits can be quantified for certain elements of the performance-based financing model, a source of revenue must be identified in order for the State to meet its contractual repayment obligations to investors. In addition, sources of funds to pay other involved parties required to establish, monitor and evaluate both the educational service and the funding contract are necessary. In a PFS model, this usually includes: (a) additional staff at state and local level dedicated specifically to the development, oversight and management of payments and services related to contracts; (b) an intermediary organization to raise and manage funds as well as structure contracts; and (c) the external evaluator to determine "success" of services.

The State, which arguably assumes the least up-front risk from a financial perspective, is obligated to use taxpayer dollars to pay for the contracted services, (for early childhood development programs in this case), which demonstrate that the programs have met performance measures. In some cases, the State may also use public or private funds for independent evaluators and state staff determined to be necessary to facilitate the program under the PFS model. Although the State’s financial risk is relatively smaller than that of the other investment partners under this structure, it is critical that a source of revenue be identified for deposit in a dedicated fund established for the purpose of making payments to the service provider.

Recommendation #3. Prior to entering into a Pay for Success Financing model contract for funding early childhood education services, whether a pilot project or a statewide program, the Legislature should dedicate a source of revenue for payment under the legal obligations of performance-based financing contracts.

Acknowledgement of Key Resource People and Organizations

The members and staff of the Task Force on Public-private Partnerships to Support Public Education wish to recognize and thank the key resource people and organizations for assisting us in conducting this study. A list of persons and organizations that provided assistance to the Task Force is attached as **Appendix F**.

APPENDIX A

Authorizing Legislation -- Resolve 2015, Chapter 89

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND AND SIXTEEN

H.P. 1143 - L.D. 1675

Resolve, To Create the Task Force on Public-private Partnerships To Support Public Education

Emergency preamble. Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, this resolve establishes the Task Force on Public-private Partnerships To Support Public Education to conduct a comprehensive study of available public-private funding models to support public education; and

Whereas, the study must be initiated before the 90-day period expires in order that the study may be completed and a report submitted in time for submission to the next legislative session; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore, be it

Sec. 1. Task force established. Resolved: That, notwithstanding Joint Rule 353, the Task Force on Public-private Partnerships To Support Public Education, referred to in this resolve as "the task force," is established; and be it further

Sec. 2. Task force membership. Resolved: That the task force consists of 12 members appointed as follows:

1. One member of the Senate appointed by the President of the Senate;
2. Two members of the House of Representatives appointed by the Speaker of the House, including a member from each of the 2 parties holding the largest number of seats in the Legislature;
3. Four members appointed by the President of the Senate as follows:
 - A. One member who represents a philanthropic organization and who has experience in performance-based contracting in the social sector or social impact partnerships;

- B. One member who represents business interests and who has experience in performance-based contracting in the social sector or social impact partnerships;
 - C. One member who represents financing interests and who has experience in performance-based contracting in the social sector or social impact partnerships; and
 - D. One member who represents school principals' interests;
4. Four members appointed by the Speaker of the House as follows:
- A. One member who represents a philanthropic organization and who has experience in performance-based contracting in the social sector or social impact partnerships;
 - B. One member who represents business interests and who has experience in performance-based contracting in the social sector or social impact partnerships;
 - C. One member who represents financing interests and who has experience in performance-based contracting in the social sector or social impact partnerships; and
 - D. One member of the Maine Education Policy Research Institute; and
5. The Commissioner of Education or the commissioner's designee.

Prior to making an appointment to the task force pursuant to subsection 3, paragraph D, the President of the Senate shall seek nominations from the Maine Principals' Association. The President of the Senate shall request the Maine Principals' Association to survey its members for a recommended nomination; and be it further

Sec. 3. Chairs. Resolved: That the Senate member is the Senate chair and the first-named House of Representatives member is the House chair of the task force; and be it further

Sec. 4. Appointments; convening of task force. Resolved: That all appointments must be made no later than 30 days following the effective date of this resolve. The appointing authorities shall notify the Executive Director of the Legislative Council once all appointments have been completed. After appointment of all members, the chairs shall call and convene the first meeting of the task force. If 30 days or more after the effective date of this resolve a majority of but not all appointments have been made, the chairs may request authority and the Legislative Council may grant authority for the task force to meet and conduct its business; and be it further

Sec. 5. Duties. Resolved: That the task force shall meet 4 times in order to conduct a comprehensive study on performance-based contracting and social impact partnerships for public education. In performing its work, the task force shall research the various aspects of the issues related to using performance-based contracting and social impact partnerships to support public education. The task force shall make recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education; and be it further

Sec. 6. Staff assistance. Resolved: That the Legislative Council shall provide necessary staffing services to the task force; and be it further

Sec. 7. Outside funding. Resolved: That the task force shall seek funding contributions to fully fund the costs of the task force. All funding is subject to approval by the Legislative Council in accordance with its policies. If sufficient contributions to fund the task force have not been received within 30 days after the effective date of this resolve, no meetings are authorized and no expenses of any kind may be incurred or reimbursed; and be it further

Sec. 8. Report. Resolved: That, no later than January 15, 2017, the task force shall submit a report that includes its findings and recommendations, including suggested legislation, for presentation to the First Regular Session of the 128th Legislature. The joint standing committee of the Legislature having jurisdiction over education and cultural affairs may report out a bill to the First Regular Session of the 128th Legislature.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

APPENDIX B

Task Force Membership List

**Task Force on Public-private Partnerships To Support Public Education
Resolve 2016, Chapter 89 (LD 1675) 2nd Session, 127th Maine Legislature**

| Appointments by the President | |
|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Sen. Kimberley C. Rosen - Chair P.O. Box 877 Bucksport, ME 04416 | Member of the Senate |
| Maggie Allen Windsor Elementary School 366 Ridge Road Madison, ME 04950 | Represents school principals' interests |
| Laura Buxbaum Coastal Enterprises, Inc. (CEI) 30 Federal St., Suite 100 Brunswick, ME 04011 | Represents financing interests and has experience in performance-based contracting in the social sector or social impact partnerships |
| Kim Gore ReadyNation Maine 4 Jersey Circle Topsham, ME 04086 | Represents business interests and has experience in performance-based contracting in the social sector or social impact partnerships |
| Lauren Sterling Maine Early Learning Investment Group 75 Clearwater Drive, Apt. 301 Falmouth, ME 04105 | Represents a philanthropic organization and has experience in performance-based contracting in the social sector or social impact partnerships |
| Appointments by the Speaker | |
| Rep. Teresa S. Pierce - Chair 6 Waites Landing Road Falmouth, ME 04105 | Member of the House |
| Rep. Matthew G. Pouliot 99 Winthrop Street Augusta, ME 04330 | Member of the House |
| Edmund Cervone Educate Maine 482 Congress Street, Suite 303 Portland, ME 04101 | Represents financing interests and has experience in performance-based contracting in the social sector or social impact partnerships |
| James A. Clair Goold Health Systems P.O. Box 6240 China Village, ME 04926 | Represents business interests and has experience in performance-based contracting in the social sector or social impact partnerships |

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Jim Geary Maine Community Foundation 245 Main Street Ellsworth, ME 04605</p> | <p>Represents a philanthropic organization and has experience in performance-based contracting in the social sector or social impact partnerships</p> |
| <p>Erika Stump Maine Education Policy Research Institute University of Southern Maine 140 School Street, Room 203 Gorham, ME 04038</p> | <p>Member of the Maine Education Policy Research Institute</p> |
| <p>Commissioner of Education's Designee</p> | |
| <p>Suzan Beaudoin Department of Education 23 State House Station Augusta, ME 04333-0023</p> | <p>Commissioner of Education or the Commissioner's designee</p> |
| <p>Staff</p> | |
| <p>Phil McCarthy, Senior Legislative Analyst Office of Policy & Legal Analysis 13 State House Station Augusta, ME 04333-0013</p> | |
| <p>Danielle Fox, Legislative Analyst Office of Policy & Legal Analysis 13 State House Station Augusta, ME 04333-0013</p> | |

APPENDIX C

Detailed Summary of Presentations and Discussions at the Task Force Meetings

OBSERVATIONS OF PERFORMANCE-BASED CONTRACTING AND SOCIAL IMPACT PARTNERSHIPS FOR PUBLIC EDUCATION

To accomplish its mission, the Task Force was authorized to convene four meetings. The Task Force held its meetings at the State Capitol in Augusta on the following dates: September 22, 2016; October 14, 2016; November 7, 2016; and December 13, 2016. All meetings were open to the public and were broadcast by audio transmission over the internet. The agendas, meeting summaries and other documents provided to the members during and between the Task Force meetings are posted on the Maine Legislature's website and are available online at: <http://www.maine.gov/legis/opla/educationpartnerships.htm>.

Overview of State and Jurisdictions Using Models of Performance-based Contracting and Public-private Social Impact Partnerships

During its first meeting on September 22, 2016, the Task Force received background information and preliminary data related to the scope of issues in other states and jurisdictions that have been using performance-based contracting and social impact partnerships to support social and emotional health, address homelessness, promote juvenile and criminal justice, support workforce development, and provide early childhood and prekindergarten education. The preliminary meeting included the following presentations and deliberations.

- ❖ Dr. Erika Stump, a University of Southern Maine Research Associate with Maine Education Policy Research Institute (“MEPRI”), and a member of the Task Force, presented an overview of the January 2016 report “*An Examination of Using Social Impact Bonds to Fund Education*” produced by the MEPRI for the Maine Legislature’s Education and Cultural Affairs Committee. The report recommended the use of Social Impact Bonds (“SIBs”) to fund public-private partnerships and stated that SIBs can provide initial resources to support innovative public services or new organizational structures for providing essential social services and public education. However, she noted significant challenges in the use of pay-for-performance contracts; and the report recommended the creation of policies and structures to guide government officials in using pay-for-performance contracts and securing funding for such contracts. The report also recommended the use of rigorous research findings to select a targeted educational service that is needed, either in the State or a specified region of the State, that an SIB or a pay-for-performance contract could be used to provide and that would result in positive and monetizable results.
 - Dr. Stump’s briefing also included “*Fall 2016 Updates: Social Impact Public-Private Partnerships to Fund Education*” that included updates to the MEPRI report on relevant federal funding and federal legislation, as well as related legislation in other states.
 - Dr. Stump noted that the MEPRI report recommended a comprehensive, statewide data scan of existing information or programs relating to early childhood education to determine the population of students involved in public or private pre-K programs, as well as in the pre-K programs established under the Maine DOE’s early childhood grant program recently funded by the federal government.
- ❖ Jeffrey Liebman, Professor of Public Policy at the Harvard Kennedy School (via conference call); and Rob Koenig, Director of Strategy and Operations at the Harvard Kennedy School’s

Government Performance Lab, provided a briefing that included a PowerPoint presentation entitled “*Pay for Success Models and Projects in Other States and Jurisdictions*” on the work that the Government Performance Lab has conducted with more than 30 states and jurisdictions that have been using performance-based contracting and social impact partnerships. The Harvard Kennedy School technical assistants’ presentation covered the following:

- The subject areas the Government Performance Lab has worked on with states and jurisdictions which have included: social and emotional health, homelessness, juvenile and criminal justice, workforce, early childhood and prekindergarten education;
- The growth in launches of PFS projects around the U.S. (one in 2012, one in 2013, four in 2014, two in 2015, and approximately eight in 2016 and 2017);
- The principles and key benefits of “Pay for Success” (“PFS”) models, including the advantage that PFS models allow for experimentation before getting into a budget line; and states get to wait to see that the PFS model will be successful before fully implementing it statewide; and
- The key inquiries for states include how fast they can find a broader base of investors.

❖ Anna Fogel, Director, Social Finance, Inc. (via conference call), delivered a PowerPoint handout entitled the “*Introduction to Social Finance and the Intermediary Role in Pay for Success*” on the work that the Social Finance teams have conducted. Director Fogel’s presentation included:

- An explanation of the Social Finance, Inc.’s role as a third-party service provider for public-private partners in “Pay for Success” (“PFS”) projects;
- An overview of the intermediary roles of Social Finance teams that cooperate and move forward between government and social service fields, including their roles in a PFS deal with the Connecticut Department of Children and Families;
- A determination by Social Finance, Inc. that key inquiries for states include how fast they can find a broader base of investors; and
- An indication that Social Finance, Inc. has reviewed the research conducted on the early childhood education projects in Utah and Chicago.

❖ Liza McFadden, President and CEO of the Barbara Bush Foundation for Family Literacy; and Craig Denekas, President and CEO of the Libra Foundation, provided perspectives on their foundation partners’ interests in “Pay for Success” projects for education in Maine. Here are brief notes from the presentation:

- President McFadden described the Barbara Bush Foundation for Family Literacy; the foundation is interested in the bookends (early childhood literacy and adult literacy) and may be able to help with up-front costs of a Maine “Pay for Success” program if it is in

the literacy realm;

- President Denekas presented background information on the Libra Foundation, including a unique program called “Raising Readers” that has been in Maine for many years; the “Raising Readers” program provided books to homes where children did not have books; it is a public-private partnership, including health systems and private philanthropies, hospitals, doctors and midwives for newborns and 0-5 year old children; and
- Both foundations agreed that engaging in a PFS public-private partnership focused on a literacy concept is a good one for Maine and indicated their foundations may be willing and able to help with the up-front costs of a Maine PFS education project in the literacy realm.

Identification of Where Maine is Not Hitting Education Targets and Discussion of Other States “Pay for Success” Models to Support Education

The second Task Force meeting took place on October 14, 2016. Task Force members reflected upon concerns regarding where Maine is lagging behind national averages in education and considered the potential of how the Pay for Success (“PFS”) models in other states focus on creating funding mechanisms that could serve to enhance the establishment of early childhood education programs that can help our schools increase student performance to meet literacy rates by grade 3. This meeting included deliberations regarding PFS projects that should be considered to support public education in Maine.

- ❖ Representative Matthew Pouliot asserted that the Task Force members should first identify the problems the Task Force is seeking to resolve; he called attention to the Maine Economic Growth Council’s “*Measures of Growth*” 2016 report that summarized the National Assessment of Educational Progress (NAEP) 4th grade reading scores which indicated that Maine is falling short of literacy benchmarks; he expressed his desire to focus on kindergarten readiness and literacy rates (up to 3rd grade); and he sought agreement from Task Force members to focus efforts on children up to age 8.
- ❖ Maggie Allen, Kim Gore and Representative Teresa Pierce noted that the Maine Department of Education (“DOE”) applied for and received prekindergarten (“pre-K”) expansion grants from the federal government for school districts with children below the poverty line; that the DOE pre-K grant application included kindergarten readiness data stating that children in a program below the poverty line were five to nine points higher than children over the poverty line and that school districts with children just above the poverty line are clamoring to get into the pre-K programs. Lauren Sterling also proposed consideration of endorsing a two-pronged approach that involves working with parents and families as part of the kindergarten readiness pilot project that includes public and private community partnerships with the Maine DOE.
- ❖ Dr. William Beardsley, Deputy Commissioner of the Maine Department of Education, delivered a presentation to the Task Force that conveyed the Maine DOE’s long-term education goals and his perspectives related to the mechanisms the Task Force members are considering regarding the proposed PFS projects. Deputy Commissioner Beardsley distributed four handouts at the meeting, including: (1) “*Broad Objectives; Follow-on*

Objectives, and Sample Strategies"; (2) "2014-15 Assessment Results Across 6 Maine Counties: Grades 3-8"; (3) "State-Aggregate Finance-Total Annual Expenditures by Type (as of 12/01/2014) All Years" (State and local funds for 2004-05 to 2014-15 school years); and (4) "For Some Grads, College Isn't Worth the Debt" (Wall St. Journal article, September 4, 2014).

- Dr. Beardsley stated that the Blue Ribbon Commission to Reform Public Education Funding and Improve Student Performance in Maine, (established by Public Law 2015, chapter 89, LD 1641) "An Act To Establish a Commission To Reform Public Education Funding and Improve Student Performance in Maine and Make Supplemental Appropriations and Allocations for the Expenditures of the Department of Education ... for the Fiscal Year Ending June 30, 2017"), has near unanimity on the following goals (listed in the "Broad Objectives" handout):
 - (1) Every child reads at grade level by age 8;
 - (2) Elimination of the income/achievement gap;
 - (3) Elimination of the need for remediation after diploma; and
 - (4) Have highly qualified teachers across Maine, (though disagreements exist about how to get there).
- During his review of the "Follow-on Objectives" and "Sample Strategies" handouts, Dr. Beardsley stated that Maine must give kids choices and allow for individualism. He also stated that delivering services regionally has a benefit (as opposed to local and/or statewide service delivery).
- During the review of the "Total Annual Expenditures by Type" handout distributed, Dr. Beardsley indicated that Maine DOE is reviewing the details of "how we spend \$1 billion" to fund education in the State and advised that Task Force members needed to make sure there is a no "liability tail" to the work being contemplated by the Task Force in order for the administration to support a PFS project. He also suggested that the Task Force needed to reallocate and shift around funds to ensure that no additional debt is being taken on by the State.
- Dr. Beardsley also informed the Task Force that the Maine DOE is currently working on a pilot program that has not yet been announced, with a preliminary test to occur before the 128th Legislature convenes; the pilot program will include the hiring of the best literacy teachers in the state to work at the lowest performing schools in 9 different regions of the State; and the Deputy Commissioner stated that PFS could "add some teeth" to this project.
- Following his presentation, Dr. Beardsley was asked if the DOE is currently engaged in a cross-agency support group, and he indicated that Maine DOE is currently working with the Maine State Library to better collaborate with school libraries, and that the DOE is also working with the Department of Health and Human Services (DHHS) and the Department of Labor (DOL), although no formal collaboration has been inaugurated.

- ❖ Representative Teresa Pierce stated the Task Force may need to narrow its focus onto potential projects where Maine can have its biggest “bang for the buck” and “grand bargains” to welcome investors to provide funding to contribute to initiatives across the state, and in different pockets in the state, that: (1) can enhance pre-K programs to deal with children’s language barriers before they enter into pre-K programs and support their reading skills through 3rd grade (age 8); and (2) can also deal with adult’s critical parent issues.
- ❖ Representative Pouliot, Erika Stump and Maggie Allen expressed pros and cons related to using special education as a metric for achieving cost savings since special education is a very complex area of education policy, and the Task Force needs to choose a benchmark that we want to accomplish; and we will need to come together on where savings can be realized since a coalescence on early childhood education is needed through age 8.
- ❖ Antonia Esposito, Associate Director, Social Finance, Inc., noted that education is one of the “quite young” social policy areas instituted in PFS transactions; there have only been two PFS early childhood education contracts carried out so far in the U.S., one in Salt Lake City, Utah and the other in Chicago, Illinois. Both required lower special education utilization and increased kindergarten readiness as a PFS outcome. Lowering special education utilization can be tricky, controversial and difficult to measure even though it may provide more economic savings. Other benchmarks considered including the reduction of remedial program use, as well as reducing dropouts and increasing attendance. Then, at the higher end of the spectrum in terms of education, it is easier to connect outcomes with high school graduation rates and employment results, contributions to the state in general, college attainment reduced unemployment and reduced criminal activities.
- ❖ Anna Black, Strategy and Grants Manager at the Maine Department of Corrections (DOC), stated the DOC is interested in investigating performance measurement aspects of a PFS program and has had conversations with Harvard’s Government Performance Lab resulting in the possibility of submitting a grant application for the Performance Lab’s technical assistance. She indicated there are other Maine state agencies, (criminal justice agencies and the DHHS), interested in PFS; she is also pondering how to use PFS with education programs for youth in juvenile facilities, (such as the Long Creek Youth Development Center in South Portland), as well as social impact programs for adults whose children are impacted by their social challenges. If the Task Force or the DOE considers proposing that the DOE bring together a potential PFS pilot project to enhance the performance of youth in particular schools and regions, the DOC could also look at children’s families involved with the juvenile justice system and conduct research that may contribute to a more robust pilot project. Since there is a lot of overlap and intersection between the DOE and other agencies, it makes a lot of sense to look at those links.
- ❖ The Task Force staff distributed a packet of other state’s statutes and pieces of proposed legislation that provide examples of what states have considered regarding different factors related to funding and contract formulation policies and procedures for authorizing public-private partnerships for PFS programs. The packet included examples from Idaho, Utah, New Jersey, Massachusetts and Colorado that give permission for supporting PFS education programs.

Social Investment Project Elements and Pay for Success Models that Focus on Improving Student Literacy Performance by Grade 3

The third Task Force meeting took place on November 7, 2016. At the conclusion of the previous meeting, Task Force members asked for further briefings from recognized experts, practitioners and state agency officials -- including the director and the evaluator of the Educare Central Maine program, technical assistants from the Harvard Kennedy School's Government Performance Lab and the Social Finance, Inc., and the Maine DOE -- to discuss elements related to social impact partnerships and performance-based contracting models that support public education. This meeting included briefings and deliberations on the compatibility and viability of social investment project elements and PFS models in other states and jurisdictions that focus on improving student literacy performance by grade 3.

Educare Central Maine

- ❖ Kathryn Colfer, Director of Educare Central Maine, noted that Educare Central Maine ("Educare"), one of 22 Educare schools nationwide, is a separate 501(c)(3) organization engaged in a public-private partnership -- with Kennebec Valley Community Action program, Head Start and Early Head Start programs, Buffet Early Childhood Fund, and Bill and Joan Alford Foundation -- and has served over the past 6 years as Waterville's public preschool program for 3 and 4 year olds. She indicated that Educare also:
 - Partners with the Maine Early Learning Investment Group (MELIG), Head Start, Early Head Start, and childcare partnerships to launch preschool expansion initiatives with another 5 Maine public school districts to serve preschoolers between the age of 6 weeks old to 5 year olds from low-income households below federal poverty-level income guidelines;
 - Delivers "dosage": full-day and full-year-round programs and services;
 - Provides professional development opportunities informed by their evaluation findings for both their child and classroom progress and outcomes;
 - Is served by the University of Maine as its independent evaluator that interacts directly with children to evaluate outcomes and share data with its teaching staff, administrators and boards of directors; classroom level evaluation results inform the Educare teachers' professional plans and guide its program decisions in all areas; and
 - Has staff work very closely with public school educators in order to share knowledge, teaching strategies and joint training programs.
- ❖ Director Colfer also commented on what she believes are critical program components:
 1. Dosage, (full days and full year programs), matters and it matters a lot. Students need at least 3 years of high-quality, learning environments to meet goals and outcomes. She encouraged the Task Force to at least look at 3 year olds; and she indicated that dosage is really important to maximize children's learning;

2. Ensure commitment to high quality teaching practices for participants; Educare teachers are required to actively engage in observation, communities in practice and reflective practices; and receive feedback from master teachers on evaluation results to help support professional development plans and staff time. Educare utilizes the same evidence-based curriculum across all participating locations; it needs to be comprehensive in nature and include all learning domains. Educare calls it the “Opening a World of Learning” (the “OWL”). The OWL crosses many learning domains: math, logical, reasoning, science, social and emotional;
3. Offer low child-staff ratios; build trusting relationships with supportive adults; maximum size in our pre-school classroom is 16:1; sometimes we have a 2nd or 3rd teacher in a classroom to support social and emotional learning;
4. When designing an RFP, look at how expected participants interact with their community. A lot of kids enter school without necessary health or dental support. She indicated the importance of connecting with the community to get those services since connecting with community partners is critical for children to meet their academic outcomes;
5. Research student-based assessment by measuring skills, knowledge and behavior. Nine key categories are predictive of positive student success in child development and content areas; Educare was a normed assessment and students who are at the norm are assessed as kindergarten ready;
6. A two-generation approach is a difficult approval. Educare tries very hard to ensure it has adequate staffing to provide a full range of activities with families for family-school connections to help families access the community services their children need, (Note: a “two-generation approach” is an effort to reduce poverty by connecting low-income families with early childhood education, job training and other tools to achieve financial stability and break the poverty cycle; and the approach seeks to help equip parents and children with what they need to thrive);
7. Since the Task Force may propose connecting the DOE and the DHHS in a PFS preschool pilot program, once the Task Force determines the desired outcomes and related indicators, Director Colfer suggested the Task Force take a “deep dive” into any policy barriers. She offered this: if you choose to extend the school day or school year, often parents can access child care subsidies, but, if their work changes or school changes, their subsidy is lost and you do not have continuity of services for these students. She suggested that students be kept in the pilot for however long the pilot goes on; and
8. Evaluate, evaluate and evaluate: not just child outcomes, but program content, activities and characteristics for continuous, program quality improvement.

Educare Central Maine Key Results Through 2015-16

- ❖ Dr. Alan Cobo-Lewis, a faculty member in the Department of Psychology and Director of the Center for Community Inclusion and Disability Studies at the University of Maine, serves as the Local Evaluator for the Educare Central Maine performance in the Educare Learning Network Investigative Team that evaluates the 22 Educare schools across the country. Dr.

Cobo-Lewis provided the Task Force members with PowerPoint slides, (titled “*Educare Central Maine Key Results Through 2015-16*”), and he indicated that his presentation includes a portion of key results to give the Task Force a feel for how challenged the families are, a sense of how good the child level outcomes are, and what results the State may want to measure if we are to form an investment.

1. Target Population. “Poor kids” are the target population for Educare Central Maine and these children are at risk of school failure because of low socio-economic status.

- At Central Maine, 128 children are enrolled; 48 are in infant-toddler classrooms and 80 are in two year preschool classrooms for 3 year olds and 4 year olds;
- Poor kids -- 90% of these kids are Head Start (HS) eligible, at or below the federal poverty level. Maine is one of two sites that also accepts children who are not HS eligible; 10% of the kids at Educare Central Maine come from over-income families whose parents pay for their attendance;
- About 11% of the children at Educare Central Maine have a disability plan, an individualized family service plan or an individualized education program; and
- The evaluation is pretty comprehensive. There are child outcomes, social-emotional, behavioral, academic, language, family measures, measures of staff satisfaction, staff behavior, staff use of data and staff interaction with the families.

Dr. Cobo-Lewis stated that his presentation includes a portion of key results to give the Task Force a feel for how challenged the families are, a sense of how good the child level outcomes are and what results the State may want to measure if we are to form an investment.

2. Parent Interview: Food Insecurity. One example of the challenges kids have comes from the annual parent interview and survey:

- 13% to 18% of children from income-eligible families in Educare Central Maine came from households that ran out of food in the previous 12 months.

3. Number of Life Events. In the parent interview, a number of life events are measured, including: married, engaged, divorced, separated, etc.

- Most of these life events are fairly stressful; married sounds like a positive one, but can also be stressful. “More life events” means more stress on the family.

4. Low-income Children at Educare Experience Multiple Life Events. The data shows that low-income children in Educare experience multiple life events.

- We have a “control group” in Educare Central Maine, the families who are over-income; the over-income families “control group” had a median of 1.5 life events.
- Income-eligible families tended to have a lot more life events, a median of 4 life events, (half of them had more than 4 and half had less than 4). That is more than double the median and the over-income eligible group.

5. Life Event: A Dramatic Example. These families have lots of challenges; not just poverty. Incarceration, one of the life events on the list, is a pretty dramatic example.

- Over the past 5 years parents of 20% of the income-eligible children in Educare Central Maine report that one of the child's parents was jailed the previous year.
- It does not happen at all in the over-income group.

6. Child Outcomes: Peabody Picture Vocabulary Test ("PPVT") of Language Development.

To get to some language development outcomes, one example of the PPVT is having the child sitting opposite an adult, there is an easel facing the child. The child looks at pictures and is asked to point to a certain image. If the child points to the image, then you give the child credit.

- PPVT is a norm referenced test of language development of what children understand; PPVT predicts outcomes at school entry and later while in school; and
- PPVT has been used a lot in the research literature for many years and also has been used in the Utah pay-for-success (PFS) model as an indicator of later academic outcomes.

7. Peabody Picture Vocabulary Test ("PPVT") Differences by Disability and Income Status.

Kids at Educare Central Maine get PPVTs from their 3rd birthday forward twice a year. Here is the data from the PPVT broken down by disability and income status:

- The chart summarizes data from 287 children, 801 time points, and about 2 and 1/2 data points per child; as a norm-referenced test, a hundred means you are scoring like your peers;
- Standardized language scores improve with more time in Educare; this is the dosage matters result that Director Colfer mentioned; the big picture is that specifically, we can break it down by subgroups;
 - Income-eligible children without disabilities; this is really the target population for Educare Central Maine; they are gaining about 13 points over 5 years -- essentially closing the achievement gap which is really the goal of the program; and they are improving at least as fast as the over-income group; and
 - Income-eligible children are also part of the target population, with disabilities (10-15% of Educare Central Maine children have disabilities); these kids are on track to gain about 30 points over 5 years. They are catching up to their peers; they are certainly making faster than age-appropriate gains.
- Big picture: Language improvement with more time in Educare:
 - Income-eligible children without disabilities at Educare Central Maine gain PPVT at least as rapidly as over-income children without disabilities; and
 - Income-eligible children with disabilities at Educare Central Maine gain PPVT at least as rapidly as the other two groups of children.

8. Social, Emotional, Behavioral Outcomes: Devereux Early Childhood Assessment (DECA-P2) by Disability, Income Status and Subtest.

- Social-emotional and behavioral outcomes generally improve with more time in Educare;
- Attachment improves for over-income children without disabilities and income-eligible children with disabilities;

- Behavioral concerns improve for children without disabilities;
- Initiative improves for all 3 groups;
- Self-control improves for children without disabilities; and
- Protective Factors improve for all 3 groups.

9. Preschool CLASS (“Classroom Assessment Scoring System”). The rating interactions between teachers and students:

- Ten dimensions organized into three domains:
 - (1) Emotional Support -- positive climate, negative climate, teacher sensitivity, and regard for student perspectives;
 - (2) Classroom Organization -- behavior management, productivity, and instructional learning formats; and
 - (3) Instructional Support -- concept development, quality of feedback (from the teacher to the child), and language modeling;
- Possible CLASS scores range from 1 to 7; and
- In national data tests, Preschool CLASS is moderately associated with improved child outcomes.

10. Preschool CLASS Score: Educare Central Maine vs. Head Start Grantees.

- Emotional Support scores are about half a point higher (than HS Grantees at large);
- Classroom Organization scores are about the same; and
- Instructional Support scores are much higher (more than a point higher).

11. Staff Survey Open-Ended Responses.

- Challenges -- “Not having enough time or staff to cover our weekly team meetings so we can plan and discuss issues for our classroom.”
- Data -- “Data helps in goal making and helping me see patterns, trends that I can use to support families.”

12. Parent Survey Open-Ended Comments -- What do you like *best* about Educare Central Maine?

- Staff/Teachers
 - “The helpful staff and positive changes I have seen in my children. You are life changing for us.”
 - “The relationship I have with the teacher. The structure and the classroom atmosphere prepared him for school.”
 - “What my son is getting out of it. Being around other children. It is a positive place. Even if he is doing something wrong, turn it into a positive. Helps me to use those positive reinforcements at home.”
 - “The closeness, teachers, it is kind of like a family”
- Events/Family Involvement
 - “Activity like you and me play time. Being able to get involved with everyone – parents, teachers. I feel like people (staff) want my family here.”

- “You have parent workshops for me to go to. Loved the family picnic.”
- “It is like a community – everyone works together.”

13. Follow-Up Study.

- Research questions:
 - (1) Do the gains children exhibit in Educare persist into public school?
 - (2) Does parent engagement in Educare persist in public school?
- Five Educare sites participate (Atlanta, Central Maine, Denver, Kansas City, Tulsa);
- Measuring language, math, executive function, social-emotional-behavioral, teacher survey, parent survey, attendance, state assessment; and
- At Educare Central Maine, assessed 15 children in 2015-16, following additional 10 new graduates into kindergarten this year.

14. Thoughts about Social Investment Measures.

- Ongoing target for all children;
- Specific targets for children most at risk; and
- Different investment outcomes for children at different levels of risk.

Pay for Success Models that Focus on Raising Student Literacy Performance by Grade 3

The following are the agenda items the Task Force wanted to discuss with the Harvard Kennedy School’s Government Performance Lab and the Social Finance, Inc. technical assistants during this meeting:

1. The benefits and results learned from the Pay for Success Projects (“PFS”) in Salt Lake City, Utah and Chicago that dealt with early childhood education;
2. The possibility of joining public and private partners in Maine, including the legislative and executive branches in State government and foundations (i.e., Barbara Bush Foundation and Libra Foundation), to facilitate the design of a “beautiful poster face” that establishes a Pay for Success Pilot Project in Maine;
3. Whether your PFS teams have been working in the past or the present on PFS structuring with Maine State government agencies (i.e., Department of Education, Department of Corrections, Department of Health and Human Services, etc.); and
4. Discuss your knowledge of states’ laws and policies related to promoting the return on investments for public and private partnership foundations.

Overview of Chicago’s Child Parent Center Pay for Success Initiative

- ❖ Ryan Gillette, Assistant Director, Harvard Kennedy School Government Performance Lab, briefed the Task Force via a conference call of the “Pay for Success” Models implemented in other states and jurisdictions that focus on improving student literacy performance by the 3rd grade, including early childhood and prekindergarten programs.

The Problem. In early 2013, the City of Chicago estimated that there were over 12,000 low-income children with inadequate access to pre-school. With this in mind, the city embarked on an ambitious effort to achieve three distinct early education goals:

- Increase **access** to serve the most at-risk children in high-quality programs;
- Increase the **quality** of early childhood programs in Chicago; and
- Increase **transparency and accountability** across the educational services spectrum.

The goal was to move toward universal pre-K programs for all low-income children by 2015 in a manner consistent with Chicago's financial situation and fiscal challenges at the time.

The Intervention. The Child Parent Center ("CPC") model works with parents and children to improve learning in the classroom and the home. The Chicago Public Schools ("CPS") program was in operation since the 1960's; and the longitudinal study demonstrated the positive impacts of the CPC model, including increased graduation rates, lower usage of the special education system, and a variety of other long term social benefits.

Overview of Project.

Model: One year of 1/2-day pre-K delivered via the CPC model. Funding for Kindergarten aides is included as well;

Kids served: 2,620 over the life of the project through half-day CPC program model. Ramps up to 782 new annual Pre-K slots;

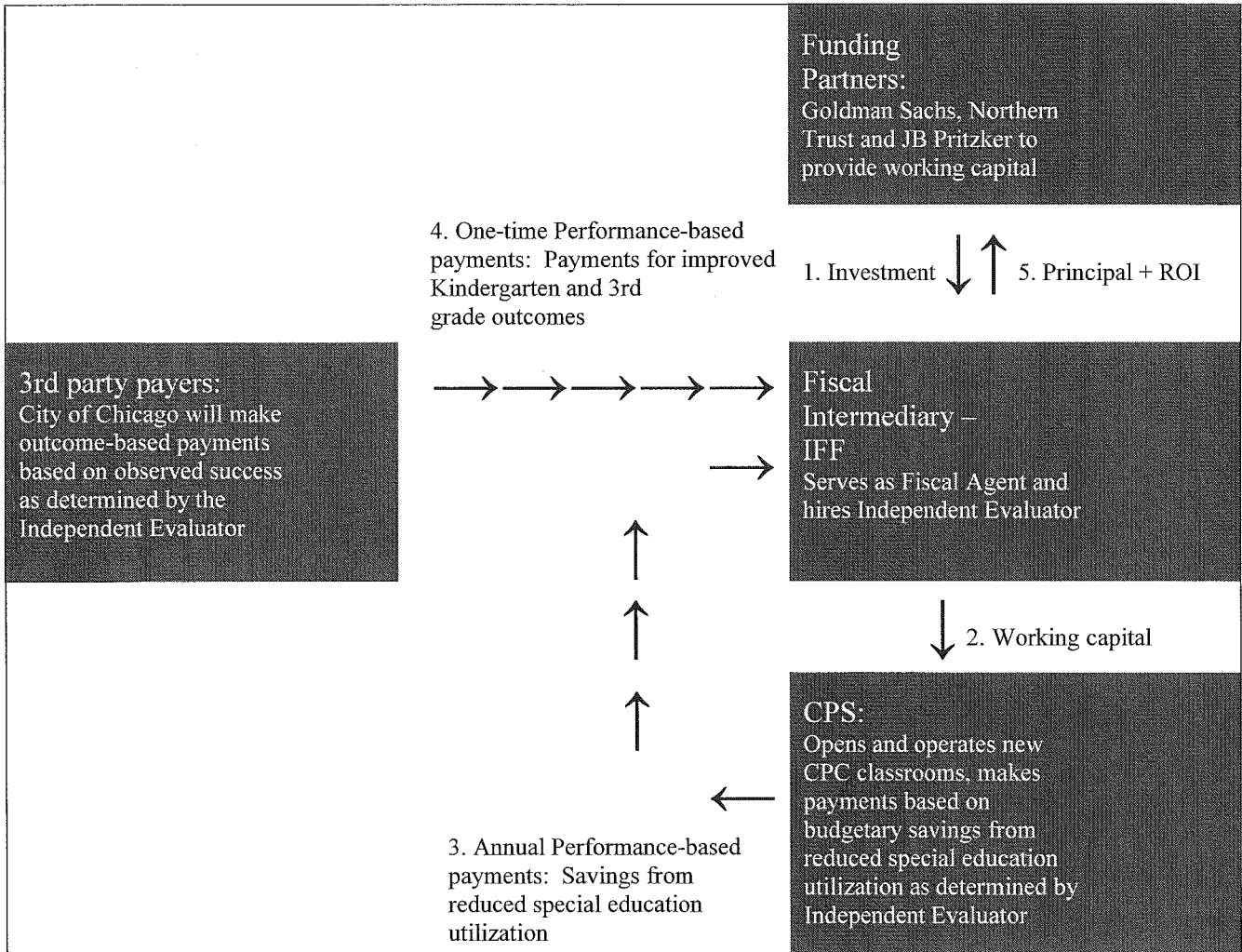
Duration of project: Four annual cohorts of kids, with payments triggered based on results measured through high school;

Private Investment dollars required: \$16.9 million.

Project partners:

- Service provider: Chicago Public Schools ("CPS");
- Evaluator: Stanford Research Institute ("SRI") International;
- Fiscal Intermediary: Illinois Facilities Fund ("IFF"), a local non-profit which holds contract with evaluator, manages cash flows and coordinates governance committee meetings;
- Programmatic Intermediary: Metropolitan Family Services, a local non-profit that works with CPS to implement best practices from across the field; and
- Primary Funders: Goldman Sachs, Northern Trust, and the J.B. and M.K. Pritzker Family Foundation.

Deal Structure. Social impact bond transaction



Outcome Measures.

Reduction in Special Education Utilization: Every year, K-12th grade, measure the difference in low-severity Special Education utilization between CPC students and a matched comparison group of students who did not attend CPC using statistically rigorous methodologies. CPS will make payments based on the predicted budgetary savings they realize from decreased utilization of the Special Education system.

Kindergarten Readiness: Measured using the Teaching Strategies Gold Assessment instrument – a tool designed to track progress of children across a wide array of developmental domains such as literacy, math, social-emotional, etc. Kids who meet the national norms in these categories are determined “Kindergarten ready.” The city will make payments based on the fraction of CPC students who finish pre-school Kindergarten ready.

Third Grade Literacy: In following with academic literature, children who score above the 25th percentile on the English/Language Arts section of national standardized tests are deemed to be reading “at or above grade level.” The city will make payments for every CPC child who meets this threshold. While Kindergarten Readiness and 3rd grade literacy do not produce budgetary savings, they are predictive of long-term positive outcomes, including increased graduation rates and reduced criminal behavior.

- Rates: (1) kindergarten readiness; (2) 3rd grade literacy; and (3) special education placement; and
- Graduation rates, employment outcomes and earning; reduced criminal measures.

States’ Laws and Policies Related to Promoting the Return on Investments for Public and Private Partnership Foundations

❖ Antonia Esposito, Associate Director at Social Finance, Inc., also participated in the conference call to respond to the agenda items the Task Force members posed regarding the PFS models implemented in other states and jurisdictions. After the adjournment of this meeting, she provided the following responses that indicated Social Finance’s perspectives on the topics the Task Force members asked about during the meeting.

1. State Laws. Typically, most states do not need to pass legislation in order to participate in a PFS project. Several states that have launched or are engaged in designing PFS projects, such as Connecticut, South Carolina, and Pennsylvania, have not done so. The only legislative items that need to be confirmed for PFS participation are provisions that:

- The state has the authority to enter into a multi-year contract (which most states do); and;
- There are no specific state law constraints on entering into a performance-based or Pay for Success contract (which most states do not have).

2. Optional Legislation. Beyond these necessary pieces, states can consider optional legislation for pursuing PFS projects, with two key types passed to date:

- Legislation that authorizes PFS transactions for either specific issue areas or under a broad mandate (including specifying terms regarding evaluation requirements, contents of PFS contracts, term limits, or other provisions that the jurisdiction wishes to be in place for all PFS projects); and
- Legislation that mitigates appropriation risks for investors by putting the state's full faith and credit behind outcome payments. Note that if states do not pass legislation regarding appropriations risk mitigation (only Massachusetts, to date, has done so), provisions need to be included in the PFS contract that oblige the state to make investors and other parties whole in the case of appropriations failure.

Ms. Esposito also submitted a table summarizing the states and jurisdictions that, to date, have passed legislation related to PFS.

Legislation Related to Pay for Success -- Social Finance, Inc.

Antonia Esposito, Associate Director, Social Finance, Inc., -- November 7, 2016 meeting

| Jurisdictions | Legislation Related to Pay for Success |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Arkansas | Pay for Success Act, S.B. 472, 90th Gen. Assemb., Reg. Sess. (Ark. 2015), Ark. Code Ann. § 12-27-204. ftp://www.arkleg.state.ar.us/Bills/2015/Public/SB472.pdf |
| California | Social Innovation Financing Program, A.B. 1837, 2013-14 Leg., Reg. Sess. (Cal. 2014). http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1837 |
| Chicago | Loan Agreement and Contract With IFF Pay for Success I LLC, Chicago SIB Authorizing Ordinance (Oct. 8, 2014). http://www.payforsuccess.org/sites/default/files/o2014-8677.pdf |
| Colorado | Pay for Success Contracts, H.B. 15-1317, 70th Gen. Assemb, Reg. Sess. (Colo. 2015). http://www.leg.state.co.us/clics/clics2015a/csl.nsf/fsbillcont3/B86272F9E2CFBB2087257DB10065DBB2?Open&file=1317_enr.pdf |
| Cuyahoga County, Ohio | Social Impact Financing Fund Ordinance, Cuyahoga Cty., Ohio Ordinances, No. O2014-0018 (2014), Cuyahoga Cnty. Code § 715 (2014). http://www.thirdsectorcap.org/wpcontent/uploads/2015/03/O2014-0018.pdf |
| District of Columbia | Pay for Success Contract Fund, D.C. Law 20-155 (Act 20-424), 20th Council Sess. (D.C. 2014); D.C. Code § 2-211.03. http://dccouncil.us/files/user_uploads/related_materials/21DCSTAT_Q1.pdf |
| Idaho | Pay for Success Contracts- Education, H.B. 70, 63rd Leg., 1st Reg. Sess. (Idaho 2015), Idaho Code Ann. § 33-125B (2015). https://legislature.idaho.gov/legislation/2015/H0170.htm |
| Massachusetts | Social Innovation Financing Trust Fund, H.R. 4219, 189th Gen. Ct., Reg. Sess. (Mass. 2012), https://malegislature.gov/Content/Documents/Budget/FY2013/ConferenceReport-H4219.pdf Mass. Gen. Laws ch. 10, § 35VV (2012). https://malegislature.gov/Bills/187/House/H4219 |
| Oklahoma | Pay for Success Revolving Fund-Criminal Justice, S.B. 1278, 54th Leg., 2nd Reg. Sess. (Okla. 2014), Ok. Stat. Ann. tit. 57 § 510.8c (2014). http://www.payforsuccess.org/sites/default/files/sb1278_enr.pdf |
| Texas | Pay for Success Contracts, H.B. 3014, 84th Leg. Sess. (Tex. 2015), Tex. Gov't Code § 403.110 (2015). http://payforsuccess.org/sites/default/files/84r_hb_3014_-_enrolled_version_-_bill_text.pdf |
| Utah | School Readiness Initiative Act, H.B. 96, 2014 Gen. Sess. (Utah 2014), Utah Code Ann. § 53A-1b-101 et seq. (2014). http://www.payforsuccess.org/sites/default/files/hb0096.pdf |

Task Force Discussions of Proposed Strategies for “Pay for Success” Models for Maine Public Education

At the end of the 2nd meeting, the Task Force proposed the following strategies to be contemplated during the 3rd Task Force meeting. The Task Force chairs also indicated they would invite state agency officials and private foundation leaders to discuss these preliminary strategic proposals.

Proposed Strategies

1. Creating public-private partnerships and funding mechanisms to help public schools across the State meet student literacy performance by 3rd Grade;
2. Organizing public-private partnerships involving the Department of Education (DOE) and other state agencies (including the Department of Corrections, the Department of Health and Human Services, etc.) to collaborate with public and private entities and foundations to establish potential projects and priorities for “Pay for Success” education programs to help public schools meet the State’s education goals; and
3. Proposing state laws to authorize support for “Pay for Success” education programs.

Requests to the Department of Education for Projected Policies and Practices

The list below includes questions from Task Force members at the 2nd meeting to the Maine DOE, including Deputy Commissioner Beardsley and Public Service Executive Suzan Beaudoin, for responses to be submitted to the Task Force during the 3rd meeting.

1. What policies and systems are in place to identify and support children not on track for meeting grade level reading goals?
2. Do we have a statewide assessment for kindergarten readiness?
3. Is there a state agenda to ensure children are reading proficiently by third grade that involves cross-agency support, collaboration and leadership at the state and local level?
4. Can the DOE cross-reference with Department of Health and Human Services’ Quality Child Care quality rating and improvement system (“QRIS”), a data collecting system designed to increase awareness of the basic standards of early care and education, or Maine Roads to Quality that collects data on child care programs?
5. Are there metrics that can reduce state costs that are provided in the DOE funding chart on increased state funding?
6. Can we break down expenditure data by age groups so we can understand where increased spending is happening and the grade levels where social work and guidance demands a lot more in our curriculum?

7. Can the DOE help us understand what metrics we would like to move here because ultimately the goal is to increase literacy for students and also to help the state realize some savings in the process?
8. Is the DOE willing to accept the Task Force's proposed recommendation to have state policymakers in Maine State government's executive and legislative branches collaborate with the Harvard Kennedy School's Government Performance Lab, the Social Finance organization, and with public and private partners in Maine foundations (i.e., Barbara Bush Foundation, Libra Foundation, etc.), to design a plan to establish a Pay for Success pilot project for improving 3rd grade students' literacy performance in Maine?
9. Maine DOE is part of a 9 state consortium that has been looking at a common assessment tool for kindergarten students; where is that, and when might Maine expect to have it, because so much of what we do is data driven and if we cannot collect the data we cannot prove we are moving the needle on the performance of preschool programs.

Department of Education Responses to the Task Force Members' Requests.

Bill Beardsley, Maine DOE Deputy Commissioner, provided the following responses to the questions requested by the Task Force.

- A couple of observations on the return on investment: (1) it seems like there is some "low-hanging fruit" in terms of return on investment like special education if we can find a way to do it by lengthening and shortening the number of years where a student would be under a program; and (2) looking at the return for the regular school year versus the extended school year, there is some way we can leverage a higher return on investment.
- Just one thought on who is going to pay the return, it might be done through by a tax credit to an industry or an employer that is contributing something. If there is a return, they could see the benefit from a tax credit; or if there was no return, they get no tax credit. I do not mean to propose it, but I think there are some innovative ways we could look at some quasi-public roles for participating in this.
- One observation on the item requesting if the DOE would be interested in partnering on a project that focused on 3rd grade student literacy; the "devil's in the detail," but the answer is absolutely "yes." There would be areas that would make it more difficult or less difficult. If we can find a way to incentivize non-governmental organizations ("NGOs"), philanthropists or the private sectors to get into this, I think one elementary stopper would be the liability for the additional costs that could fall on the State. Using the tax system might be a way to finesse that.
- Do we have any kind of things for identifying the students at a very young age; and whether or not they qualify or are on track for meeting grade level goals? The answer is we do not have anything formal, the formal kindergarten or the formal preschool, but we do have systems where we do testing where they exist using, for instance, a screening system per family questionnaires, including: Speed-DIAL 4 screening, Brigance Early Childhood Screen III, Avoidance and Fusion Questionnaire for Youth. There is a whole series of these family questionnaires that we use as often as we can; and we do have some

partial information from that, as do other people who are doing these programs; and in terms of formative assessments, obviously we really start in 3rd grade in a substantive way. There is a child observation report and work sampling system where we have some partial information.

- I am very interested in the Harvard approach in terms of how you measure success; and the idea of a student moving out of the bottom quadrant. There is another variable one can use, and that is to move up one quadrant from where you start. If you use a screening system at the beginning, you can move up one quadrant compared to other people in that profile. I think that would be a way to work with the private sector where people are already doing this.
- What I really did not hear was the growth rate and control mechanisms. We saw growth for the students with disabilities and qualified the students who did not qualify, and those curves were not slabbed, they were not straight. I think if you found places where the curve was the steepest, we might not be able to support Educare everywhere, but there might be a niche area where you could really single out the highest return potential and not interfere with the more extended program.
- I would be glad to answer any questions, but Suzan has brief answers to some of the other questions. I need to do a lot more work to give you more substance.

Suzan Beaudoin, Public Service Executive, Maine DOE, provided the following responses to the Task Force members' requests.

- Is there a statewide assessment for kindergarten readiness? School units have their own assessment plans, and there is currently a pilot program with 55 volunteer teachers that is using a field test for a kindergarten entry assessment. We are just starting to gather that assessment data now.
- Do you have expenditure data by grade? No, that is really hard to ask a superintendent to report that kind of granule level of information by grade. Mostly, we collect it by elementary (pre-K through grade 8) and secondary (grades 9 through 12) grade spans; so, it is hard to take a school building and disaggregate that data, (e.g., where do you charge the principals, the guidance counselors and the nurses). Even some of the costs we collect are kindergarten through grade 12, rather than elementary or secondary; so, it is just overall costs.
- You asked if we can use the school funding formula to kind of price out some things? Yes, you can use some pieces of it to price things out. A good example I would like to use is the additional economically-disadvantaged student's weight at 15%. If you increase it to 20%, how much more would it cost or if you decrease it to 10%, how much would that save? So, that is kind of the thing we could do with the formula: adjust those weights or percentages to figure out if it would save, or not save, money.
- What about special education, especially the low cost kids with a few services? That would be a little harder to get at. So, I would have to go back and find out some more information on that. How would you determine how many kids would it reduce in

special education? We would probably have to look at some of these other programs and see what percentage of kids would go down coming into special education. So, you are wondering how we could price some of these things out.

- I am working on the question about the nine-states consortium. I thought you were referring to the regular assessment. If that was the case, we are no longer in that consortium; that was changed by recent legislation. I understand there might be something having to do with the federal preschool grants, so I am trying to get more information on that. (Note: Jaci Holmes, DOE Federal Liaison, informed Kim Gore, Task Force member, that it was the 55 classroom pilot projects that we were talking about that includes the schools that were in the federal pre-K expansion grant, so they overlap).

Task Force Discussion with State Officials on Proposed Public-private Partnerships in Maine.

Representative Pouliot asked Deputy Commissioner Beardsley about the pending pilot program involving public-private partnerships that is yet to be finalized, but is being worked on; and requested more information about the collaborations, as they exist now, involving the DOE, the Department of Correction (“DOC”) and the Department of Health and Human Services (“DHHS”).

Dr. Beardsley indicated that the private donor, a philanthropist, is making decisions in the next couple of weeks. The DOE is looking at collaborating with the DOC and how we organize ourselves, not change who we have, but how we bring kids at risk closer together. We are looking at how we do that with the federal Every Student Succeeds Act (“ESSA”). So, we really have a pod working on the kids at risk. Right now we have bullying over here, McKinney Vento (federal Homeless Assistance Act) over there; and we are trying to figure that out. The other thing we are doing is trying to figure out how to tie in adult education in the DOC; so, they all have a common theme. It is not the only thing they do. We are looking at that as a labor force issue. To build our labor force, we have a lot of kids at risk that are in the shadows ... people in corrections and people in the adult labor force that are not active. Nationally, there are 90 million people that are of work age, and we have a similar kind of thing here, some of us are older than that age profile. So, we are looking at how to bring together literacy and those things with labor-force expansion.

Those are a couple things we are looking at without going for major changes in legislation and without asking for more money for combining it. I think the kind of thing that Educare is doing, how do you really target in on pieces that have the highest return. The \$19,000 costs per child scares you at first, but if you could do it with special education, it is not just the savings in special education, but there is a multiplier effect in reduced costs when you have fewer kids in special education. Will that turn out that way? I think that was the question you were asking. Do you wait until you actually have it happen? No, but if you do it the right way, you can give a return because you have set the situation up to have a lower percentage of students designated as special education. All of that savings should go back into Educare (or a similar enterprise). I am not pushing one program over another; but I think there is some way that we could come up with some performance measures; but the challenge is whose going to make the investment. We have the three poorest counties north and east of West Virginia. I think that is a real calling card; that is a real possibility to leverage in philanthropy to deal with a whole region that is most at risk; but, I have not figured out how you can deal with a pilot in just

one region; without having it spread across limited, general public support. We have got a meeting set up with the DOC, as we speak; and we have had some turnover in staff that we are dealing with. I am very, very hopeful. The homeless is another area that we are trying to figure out how we can loop them back into.

Anna Black, Strategy and Grants Manager at the DOC, mentioned that if the Task Force is looking at those early childhood education data up to the 3rd grade, it may be interesting to connect it with the DOC's juvenile data and our juvenile corrections data; either looking at it currently, and taking the kids who are in commitment now and correlating it with their 3rd grade scores or something to that effect to see where you have a baseline. We started pulling our own data and started to do a little more robust data collection on our own, with our juvenile data, as well as with our own adult population.

In regards to the possibility of a Pay for Success (PFS) partnership, members of the DOC went last week to the White House's Office of National Drug Control Policy convening on PFS. They invited a handful of folks who are looking to work on a PFS project. There were a couple of other folks from Maine, two representatives from DHHS, as well as a couple of folks from the City of Portland and Mercy Hospital. It was all related to opiate addiction, but we know this all overlaps. So, adult opiate use, of course, has a negative impact on children in our community and our education system; as well. There are a number of other entities in the State that are working at this or at least looking at this. Either the data overlaps the very least or the partnership overlaps.

Representative Pouliot asked if the DOC provided data on the cost per entrant into the juvenile corrections system that was included in the "*Path to a Better Future: The Fiscal Payoff of Investment in Early Childhood in Maine*" report from Professor Philip Trostel. The report, which was provided to the Task Force, indicated that juvenile correction savings would be about \$3,100 per program participant due to reduced costs for interventions associated with children who do not receive high quality early education and do not proceed on track to high school graduation. Representative Pouliot also requested if there is a way to track what early childhood programs students were going through or did not go through if they eventually ended up in a juvenile justice program.

Ms. Black replied that the DOC does not collect or report out the data, but that they would report out the number of kids in commitment since they do keep that information. She noted that the DOC considers the MaineCare data in connection with kids in commitment right now, and they are also tracking what services they had before their commitment. The DOC is particularly interested in what mental-health, substance abuse and family services did the children have before they even got to our correction system, because that would tell them what they need to do to prevent, where they need to reallocate funding and who they need to be partnering with. The DOC's Juvenile Services leadership would be really happy to say that they would like to see the facility population reduced; and they do not want to have as many kids in juvenile corrections. So, if they could do more on this end to support what the Task Force is considering doing so that there will be more kids with higher outcomes, then they will have less kids in their system.

Representative Pierce stated that the Task Force may need to narrow its focus onto potential projects where Maine can have our biggest "bang for the buck" and have grand

bargaining to welcome investors to come in with funding that can contribute to initiatives across the state and in different pockets in the state that enhance pre-K programs to deal with children's language barriers before they enter into pre-K programs that can support their reading skills through 3rd grade (age 8) and that also deal with adult's critical parent issues.

Dr. Stump elaborated that the Task Force has focused on policies, projects and programs in other state's performance-based contracts and public-private partnerships; and has debated how such models should be followed or altered to enhance financial assistance for Maine's prekindergarten (pre-K) and early childhood education programs and services. Task Force members have a general consensus to establish a pilot project to implement a program funded via a Pay for Success ("PFS") performance-based contract model or a Social Impact Bonds ("SIB") loan from private investors. The PFS funding model projects allow for experimentation within an evidence-based set of strategies, with the government repayment based on outcomes instead of the quantity of services. The SIBs serve as an upfront financing device as well as a collaborative engagement of private and public stakeholders in an outcomes-based exploration of effective public services.

Dr. Stump noted that the incorporation of preliminary steps, including feasibility studies and pilot implementation projects for the potential funding model, would enable state and local governments to assess the impact of the service or intervention before public funds are requested to support longer-term or statewide implementation. She also suggested it would be beneficial if the Task Force recommended an investment in pre-K, a point also made to the Task Force by the technical assistants from the Harvard Kennedy School and the Social Finance, Inc. at the last meeting; and stated it would be prudent to have a real sense of the service levels that currently exists in all of its different forms.

Prior to the adjournment of the third Task Force meeting, Senator Rosen, Representative Pierce and Representative Pouliot conveyed to the members that the Task Force staff would send them a worksheet summarizing the subject matters and policy elements discussed and focused on throughout the course of the Task Force meetings. The Task Force chairs requested that the members submit proposed findings, strategies and recommended legislation for consideration by the Task Force at the fourth and final meeting; and members were also notified that they should submit their proposals to the Task Force staff prior to the final meeting.

Brief Summary of Observations of Performance-Based Contracting and Social Impact Partnerships for Public Education

The fourth and final Task Force meeting took place on December 13, 2016. At the conclusion of the prior meeting, members were asked to submit proposed strategies and recommendations to the Task Force staff for inclusion in a worksheet that summarized the subject matters and policy elements discussed and focused on throughout the course of the Task Force's meetings.

Recognizing the extensive knowledge and experience of its membership, the Task Force chairs relied heavily on the expertise of its members to identify and frame the policy issues, and to develop its strategies and recommendations. During each of its meetings, the Task Force members participated in discussions of the challenges facing pre-K to grade 3 school educators,

potential state policy solutions and best practices to promote kindergarten readiness and students' literacy performance by the 3rd grade.

Task Force members who proposed strategies and recommendations prior to the fourth meeting presented their proposals to the Task Force members at the final meeting. Following the presentation of each proposal, members of the Task Force discussed the merits and drawbacks of the proposed strategies and recommendations and reached consensus on a collection of strategic directions and policy recommendations.

This summary of observations conveys information provided to the Task Force members during the four Task Force meetings, including summaries of information on performance-based contracting and social impact partnerships for public education presented to the Task Force by researchers, technical assistants, education professionals and state agency officers. The Task Force also reviewed materials compiled and prepared by staff from the Legislature's Office of Policy and Legal Analysis, including an overview of current laws in Maine and other states pertaining to the policies and procedures related to duties assigned to the Task Force.

The tables below summarize the Task Force members' discussion of findings, strategies and recommendations at its final meeting on December 13th. Here are the discussion points proposed by the Task Force chairs to be considered by the Task Force members.

1. Various aspects of the issues related to using performance-based contracting and social impact partnerships to support public education:
 - A. Creating public-private partnerships and funding mechanisms to help public schools across the State meet student literacy performance by 3rd grade;
 - B. Public-private partnerships involving the Department of Education and other state agencies to collaborate with public and private entities to establish potential projects and priorities for "Pay for Success" education programs to help public schools meet the State's education goals; and
 - C. Proposed statutory authority to support "Pay for Success" education programs;
2. Topics discussed with recognized experts and practitioners in performance-based contracting and social impact partnerships to support public education;
3. The viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education; and
4. Any other factors that the Task Force considers relevant to enhance public-private partnerships to support public education.

Summary of Task Force Deliberations: Strategies and Recommendations to Enhance Public-Private Partnerships to Support Public Education

The tables below summarize the Task Force members' consideration during the fourth and final Task Force meeting. Task Force members deliberated upon these topics during each of the Task Force meetings.

1. Performance-based contracting and social impact partnerships: Research the various aspects of the issues related to using performance-based contracting and social impact partnerships to support public education

Policy Issues for Consideration

- Task force focused mostly on supporting prekindergarten (pre-K) and early childhood education programs and services; if consensus is to establish a pilot project to implement a program funded via Pay for Success (PFS) Social Impact Bonds (SIB), each “finding” can refer to or cite aspects of policies, projects or programs in other states as to where the model should be followed or altered to suit Maine.

Challenges Facing Policies and Programs

- Maine is falling short of the proficiency rates for 3rd grade literacy level and also has room for improvement in kindergarten readiness; data show roughly 35% of students entering kindergarten have significant behavioral issues; there is a tremendous amount of capability to help improve proficiency rates and behavior, but the State often runs into roadblocks on how to pay for their promotion and sustainability.
- Enthusiasm and commitment among state legislators, state administration leadership, business leaders, and private foundations is a high-priority issue.
- PFS funding projects allow for experimentation within an evidence-based set of strategies before engaging into a budget line; states/local government get to wait and see that a model succeeds before public funds are requested to support longer-term implementation.
- PFS investments are philanthropic in nature; and investors must care about helping the targeted population outcomes as well as the community.
- Key inquiries for states include finding a broad base of investors.

Ideas and Next Steps

- Overarching goal is to create funding mechanisms to establish early childhood programs and pre-K education programs that can help increase student’s kindergarten readiness and performance to meet literacy rates by grade 3.
- Further examination is needed due to disagreement regarding the costs and benefits of early childhood and pre-K programs that can help lower special education utilization as a primary outcome of a PFS program.
- Maine needs to conduct a feasibility study and establish a potential pilot study.
- Quantify outcomes that represent the value of investments.
- Identify a dedicated revenue source for repayment and determining which benchmarks will trigger payments when met.
- Develop strategies and related evaluations that can potentially produce pilot projects and propose statutory authority to enter into PFS agreements.
- Recommend legislation authorizing the State to enter into performance-based PFS contracts for pre-K and early childhood programs.

Task Force Members’ Proposed Strategies and Recommendations

- Discussed the importance of “wraparound” and two-generation programming for enduring work with greater outcomes and something that is not already being done in current public education; and should also consider the education and social services included in the five-year pilot project established during the last legislative session (LD 956, “An Act to Create

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| Community Schools” that was included in Public Law 2015, chapter 267). |
| <ul style="list-style-type: none"> • Articulated the need to clearly formulate is and how a PFS project would be better than existing grant-funded education initiatives that do not require any payback. |
| <ul style="list-style-type: none"> • Suggested the highlighted recommendation of determining benchmarks seems premature -- this would be part of the contract structure dependent upon services, investors, research methods and evaluators if PFS is entered; recommending further analysis/ research to determine the level of need in one or more of the proposed areas of need (3rd grade literacy, pre-K enrollment) may be more appropriate at this point. |
| <ul style="list-style-type: none"> • Explore the financing potential more deeply and understand the funding structures. Clarify what is the role of philanthropy? |
| <ul style="list-style-type: none"> • Ensure that PFS is undertaken as a mechanism to expand services, not replace existing financial support. |

2. Presentations: Arrange presentations by recognized experts and practitioners in performance-based contracting and social impact partnerships to support public education

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| Policy Issues for Consideration |
| <ul style="list-style-type: none"> • Maine Education Policy Research Institute (MEPRI) summarized its report that examined using Social Impact Bonds (SIB) to fund education. |
| <ul style="list-style-type: none"> • Harvard Kennedy School’s Government Performance Labs have worked with state and jurisdiction projects involving Pay for Success (PFS) Social Impact Bonds (SIB); Results-driven Contracting; and Performance Improvement. |
| <ul style="list-style-type: none"> • Social Finance serves as third-party service provider for public-private partners in PFS projects and provides intermediary roles that cooperate and move forward between government and social service fields for PFS deals, including early childhood education project. |
| <ul style="list-style-type: none"> • Barbara Bush Foundation for Family Literacy, and Libra Foundation, stated their interests in helping with up-front costs for a public-private partnership focused on a PFS program in Maine’s education literacy realm. |
| <ul style="list-style-type: none"> • Maine Department of Education (DOE) stated their consideration of public-private partnerships to support public education. |
| <ul style="list-style-type: none"> • Educare Central Maine has enrolled 3 year old and 4 year old children in infant-toddler classrooms and preschool classrooms for the past 7 years; and Educare’s evaluator reported results, evaluation and elements to consider for a social investment project for early childhood and preschool programs. |
| Challenges Facing Policies and Programs |
| <ul style="list-style-type: none"> • MEPRI report for social impact partnerships recommended a comprehensive, statewide data scan of existing information or programs at early childhood levels of who is being served in pre-K, including the population of students involved in public or private programs, as well as programs established by the DOE’s early childhood grant funds from the federal government. |
| <ul style="list-style-type: none"> • PFS funding models allow for experimentation before getting into a budget line; states wait to see if a model is successful before implementing it statewide. |
| <ul style="list-style-type: none"> • Review growth in launches of PFS projects around the United States (2012-2016). |
| <ul style="list-style-type: none"> • Important to develop a project before Legislature is willing to support the PFS authorizing legislation; and suggest the Legislature apply this to a top priority social problem. |
| <ul style="list-style-type: none"> • These projects basically offer equity risk and bond returns. |

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| <ul style="list-style-type: none"> • DOE is working on establishing a pilot program for public-private partnerships collaborating with the Department of Correction, the Department of Health and Human Services and a philanthropic private donor; the pilot program would support the nine superintendent regions in the State; identify schools with highest level of free and reduced lunch students and schools with lowest level of parent education to develop adult education targeting for parents; identify mechanisms to provide ongoing daily support services and coaching for literacy; pivot laptop programs for every student; focus variety of resources to enhance student literacy education in grades K-3 and expansion of labor force programs for adults in corrections. |
| <ul style="list-style-type: none"> • Educare Central Maine proposes that “dosage” (dosage is full days and full year) matters; encourages that students need at least 3 years of high-quality learning environments to meet goals and outcomes to maximize children’s learning; yet, the Task Force questions the cost per student to implement the preschool dosage. |
| <ul style="list-style-type: none"> • The Maine Early Learning Investment Group (MELIG) has partnered with Educare, RSU #54, and the workforce development/ adult education collaborative to replicate the Educare two-generation model in a rural setting. |
| <p>Ideas and Next Steps</p> |
| <ul style="list-style-type: none"> • Think about the idea of long-term, positive outcomes of graduation rates and reduced criminal behavior, how can we get investors to accept these as outcome measures even when we can’t actually gather that data during the course of the 4 years that the PFS contract establishes (kindergarten through 3rd grade). |
| <ul style="list-style-type: none"> • Consider two options for engaging with the Harvard Kennedy School Government Performance Lab to design a plan to establish a PFS pilot project for improving 3rd grade students’ literacy results in Maine: <ul style="list-style-type: none"> (1) submit a RFP in March 2017 for the federal grant funds provided to the Harvard Lab to engage with states and jurisdictions to create PFS programs; or (2) submit a formal request in collaboration with state government’s executive branch, legislative branch, school districts and private foundations, to request the Harvard Lab to come in and support how Maine can figure out how the PFS model would work. |
| <ul style="list-style-type: none"> • Connect with the DOE to engage their support for the Task Force’s proposal to have state policymakers in Maine State government’s executive and legislative branches collaborate with the Harvard Kennedy School’s Government Performance Lab, the Social Finance organization and with public and private partners in Maine foundations (i.e., Barbara Bush Foundation, Libra Foundation, etc.), to assist with implementing a Pay for Success pilot project for improving 3rd grade students’ literacy performance in Maine. |
| <ul style="list-style-type: none"> • Develop a data-gathering tool to determine priority regions/ communities. |
| <ul style="list-style-type: none"> • Calculate elements of the Educare service model that are being implemented through the MELIG rural replication project to determine costs differences overall; determine the difference in cost structures serving only 3, 4, and 5 year olds in the model rather than infants/toddlers, which are more expensive; also control for dosage, as the MELIG project serves full-day, full-year, too. |
| <p>Task Force Members’ Proposed Strategies and Recommendations</p> |
| <ul style="list-style-type: none"> • Bring in players from financing side to explain in more detail how their investments work and what their expectations are of both performance and return on investment (“ROI”). |
| <ul style="list-style-type: none"> • Submitting Option #2, (for engaging with the Harvard Kennedy School Government Performance Lab to design a plan to establish a PFS pilot project for improving 3rd grade students’ literacy results in Maine), seems more politically viable and more likely to result in |

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| <p>an actual project -- though it may be more challenging to accomplish.</p> |
| <ul style="list-style-type: none"> • Train and deploy a coach/master teacher to work with all early educators in any pilot. |
| <ul style="list-style-type: none"> • Ensure a collaborative project that integrates Head Start and public pre-K to maximize staff and serve low-income children (ensure enrollment of low-income children as priority); seek to serve children at least 6 hours daily. |
| <ul style="list-style-type: none"> • Serve at least some % of 3-year-olds in partnership with Early Head Start programs to compare outcomes with 4/5 year-old-only outcomes. |
| <ul style="list-style-type: none"> • Use the Dial-IV or another evidence-based kindergarten-readiness assessment to measure school-readiness benchmarks for best transition; train both early care and K staff on the assessment tool. |
| <ul style="list-style-type: none"> • Ensure the use of Opening a World of Learning (“OWL” crosses many learning domains, including math, logical, reasoning and science, and social, emotional and behavioral outcomes) or other evidence-based curricula; and train all pre-K staff on curricula integration. |
| <ul style="list-style-type: none"> • Ensure that Early Care and kindergarten to grade 3 staff collaborates on effective sustained parent engagement. |
| <ul style="list-style-type: none"> • There have also been concerns raised in education research and social justice arenas about recommendations that essentially remove young children from their families and homes for a substantial part of their early childhood (Jester, 2002; Kawagely, 1995). Two-generation or at-home programs have been a response to this. |
| <ul style="list-style-type: none"> • Ensure effectiveness and payback are strong enough to justify adopting a PFS model; there are concerns regarding the costs of dosage; and it’s important to recognize that the PFS model, by its nature, adds cost to the delivery of services (via the involvement of intermediaries, payment of interest, consultants, etc.). |

3. Recommendations: Make recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education

Policy Issues for Consideration

- Currently, only 2 jurisdictions (Salt Lake City and Chicago) have implemented PFS contracts in early childhood education; and while, there are a dozen other states and jurisdictions in the U.S. that have enacted legislation or parameters for financial procedures, ground-laying work is mostly being done by other states to prepare PFS programs in education.
- Timeline for ROI to investors against the project strategy implementation.

Challenges Facing Policies and Programs

- Utah launched one of the first PFS contracts to expand preschool opportunities in high-need communities in Salt Lake City. While the initiative was observed to be a success for children identified as potentially eligible for special education, outside researchers saw this as a faulty assumption that many of the children in the program would have needed special education without the preschool, despite little evidence or previous research indicating that this was the case in Salt Lake City.
- Chicago’s SIB transaction established Child Parent Center classrooms and made outcome-based payments based on success, determined by an independent evaluator, of predicted budgetary savings they realized from decreased utilization of special education. While kindergarten readiness and 3rd grade literacy do not produce budgetary savings, they are predictive of long-term positive outcomes, including increased graduation rates, employment outcomes and reduced criminal behavior.

- Leave one year for lead time for full implementation and consider ramping up the project with any staff recruitment or training while enrolling children and families; also need to put together evaluation design and evaluation staff training.

Ideas and Next Steps

- Consider whether the Maine DOE or school districts need statutory authority to enter into PFS contracts and the need for statutes or contracts to inform foundations and philanthropists that the State or school districts will comply with return on investment with steady, dedicated funding sources.
- Conduct an overview of other states' and jurisdictions' legislation, their PFS education models and the potential support available with public and private entities in Maine.

Task Force Members' Proposed Strategies and Recommendations

- Consider PFS initiatives with "wrap-around" services and collaboration between departments, community organizations, etc.
- Determine other "social impact" or "social investment" structures other than PFS that may provide similar opportunities without some of the limitations of experimental research (sample sizes, etc.) or complex investment contracts.

APPENDIX D

Examples of “Pay for Success” Legislation

Examples of “Pay For Success” Legislation
Task Force on Public-private Partnerships to Support Public Education

| State | Year | Vehicle | Status | Brief Description of Legislation |
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| Massachusetts | 2012 | HB 4219 | Enacted | Establishes the Social Innovation Financing Trust Fund for funding contracts to improve outcomes and lower the cost of government spending. |
| New Jersey | 2012 | A 3289 | Pocket Vetoed | Establishes a five-year social innovation loan pilot program to encourage private investment in preventive and early intervention health care to reduce public expenditures related to those services. Also creates a social innovation loan fund. |
| California | 2013 | SB 593 | Vetoed | Authorizes the Governor to enter into social impact partnerships to address policies or programs not currently funded by the state, to address state programs in order to improve outcomes or lower state costs or to reduce recidivism, reduce child abuse and neglect or to assist foster children. |
| Utah | 2014 | HB 96 | Enacted | Establishes a School Readiness Board to negotiate results-based contracts with private entities to fund high-quality early childhood education programs. Creates a restricted account. |
| Oklahoma | 2014 | SB 1278 | Enacted | Creates the Criminal Justice Pay for Success Initiative and authorizes the Office of Management and Enterprise Services to contract with social service providers that provide diversion and reentry programs to persons not under the custody or control of the Department of Corrections. |
| California | 2014 | AB 1837 | Enacted | Creates the Social Innovation Financing program and authorizes grants by the Board of State and Community Corrections to enter into a pay-for-success or social innovation financing contract. |
| Colorado | 2015 | HB 1317 | Enacted | Establishes the Pay for Success Contracts Program in order to authorize the state to enter into pay for success contracts pending specific requirements. |
| Massachusetts | 2015 | HB 3650 | Enacted | Directs the Executive Office for Administration and Finance to coordinate with Health and Human Services to develop a pay-for-performance model to promote employment among recipients of programs administered by the Department of |

Examples of “Pay For Success” Legislation
Task Force on Public-private Partnerships to Support Public Education

| State | Year | Vehicle | Status | Brief Description of Legislation |
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| Massachusetts (continued) | | | | Transitional Assistance. Also gives permission for the Executive Office to coordinate with the Social Impact Bond Technical Assistance Lab at the Harvard University Kennedy School to develop the pay-for-performance model and requires a report on the model and feasibility of implementation. |
| Texas | 2015 | HB 3014 | Enacted | Establishes the Success Contracts Payments Trust Fund for the purpose of making success contract payments. |
| District of Columbia | 2015 | B 750 | Enacted | Authorizes Pay-for-Success contracts in D.C. and establishes a Pay-for-Success Contract Fund that is administered by the Mayor. |
| Idaho | 2015 | HB 170 | Enacted | Allows the state Department of Education to enter into pay-for-success contracts designed to enhance student academic achievement. Outlines standards required to enter into pay-for-success contracts. |
| Maine | 2015 | HB 285 | Enacted | Directs the Education Research Institute to study the use of social impact bonds to fund extended learning programs and prekindergarten programs and submit report and any recommended legislation to the Joint Standing Committee on Education and Cultural Affairs by Dec. 2, 2015. |
| New Jersey | 2015 | A 2771 | Vetoed | Establishes a five-year social innovation loan pilot program to encourage private investment in preventive and early intervention health care to reduce public expenditures related to those services. |
| Maryland | 2016 | SB 1005 | Enacted | Permits the Justice Reinvestment Oversight Board to make recommendations about entering into public-private partnerships including social impact bonds. |
| Alaska | 2016 | SB 91 | Enacted | Requires the Alaska Criminal Justice Commission to prepare a report regarding the potential use of social impact bonds to reduce recidivism rates. Also outlines requirements of the content of the report, who it must be delivered to and by when this must be completed. |

APPENDIX E

Resources Provided to the Task Force

Resources Provided to the Task Force on Public-Private Partnerships to Support Public Education

September 22, 2016 meeting

- ❖ “An Examination of Using Social Impact Bonds to Fund Education in Maine,” Maine Education Policy Research Institute (“MEPRI”) Report; Erika K. Stump and Amy F. Johnson (January 2016); https://usm.maine.edu/sites/default/files/cepare/Examination_of_Using_Social_Impact_Bonds_to_Fund_Education_in_Maine.pdf
- ❖ “Social Impact Public-Private Partnerships to Fund Education: Fall 2016 Updates,” (updates to January 2016 MEPRI report); submitted by Erika K. Stump, MEPRI (September 2016); <http://www.maine.gov/legis/opla/MEPRIupdatesSept162016.pdf>
- ❖ “Pay for Success Models and Projects in other States and Jurisdictions,” Jeffrey Liebman & Rob Koenig, Harvard Kennedy School’s Government Performance Lab (September 2016) <http://www.maine.gov/legis/opla/educationpppsharvardpayforsuccessmodels.pdf>
- ❖ “Introduction to Social Finance and the Intermediary Role in Pay for Success,” Anna Fogel, Social Finance, Inc. (September 2016); <http://www.maine.gov/legis/opla/edpppsocialfinancebriefing.pdf>

October 14, 2016 meeting

- ❖ “Improving the Quality and Continuity of Practice Across Early Childhood Education and Elementary Community School Settings,” Kristin E. Geiser, Ilana M. Horwitz, Amy Gerstein, Stanford University; Early Childhood Education Linkages Research Brief (January 2013); <https://gardnercenter.stanford.edu/publications/improving-quality-and-continuity-practice-across-early-childhood-education-and>
- ❖ “Initiatives from Preschool to Third Grade: A Policymaker’s Guide,” Education Commission of the States, Early Learning Primer (October 2014); <http://www.ecs.org/docs/early-learning-primer.pdf>
- ❖ “Impact Investing and Community Development,” Ronald Phillips, CEI; Maine Policy Review, Volume 25, No. 1 2016; <http://digitalcommons.library.umaine.edu/mpr/vol25/iss1/11/>
- ❖ “Achieving Kindergarten Readiness for All Our Children: A Funder’s Guide to Early Childhood Development from Birth to Five,” Fact Sheet from the Bridgespan Group, J. B. Pritzker, Jeffrey L. Bradach, Katherine Kaufmann; October 2015; <http://www.bridgespan.org/early-childhood-funder-guide-2015>
- ❖ “Closing the Achievement Gap in Academic Performance,” An Ounce of Prevention Fund; <file:///C:/Users/Pmccarthy/Downloads/635059673438775737ClosingTheAchievementGap.pdf>;
- ❖ “Key Components of a Successful Early Childhood Home Visitation System,” Zero to Three Policy Center (June 2010); <http://www.maine.gov/legis/opla/EarlyChildhoodHomeVisitationSystem.pdf>;
- ❖ “Path to a Better Future: The Fiscal Payoff of Investment in Early Childhood Development in Maine,” Philip Trostel, Margaret Chase Smith Policy Center & School of Economics University of Maine (April 2013); http://melig.org/pdfs/Path_to_a_Better_Future_Full_Report.pdf;

- ❖ “Broad Objectives; Follow-on Objectives, and Sample Strategies,” Maine Department of Education (DOE), Deputy Commissioner William Beardsley handout (October 2016)
<http://www.maine.gov/legis/opla/educationpartnerships.htm>
- ❖ “2014-15 Assessment Results Across 6 Maine Counties: Grades 3-8,” Maine DOE, Deputy Commissioner William Beardsley handout (October 2016)
<http://www.maine.gov/legis/opla/educationpartnerships.htm>
- ❖ “State-Aggregate Finance-Total Annual Expenditures by Type (as of 12/01/2014) All Years,” State and local funds for 2004-05 to 2014-15 school years; Maine DOE, Deputy Commissioner William Beardsley handout (October 2016); <http://www.maine.gov/legis/opla/educationpartnerships.htm>
- ❖ “For Some Grads, College Isn’t Worth the Debt” (Wall St. Journal article, September 4, 2014); Maine DOE, Deputy Commissioner William Beardsley handout (October 2016)
<http://www.maine.gov/legis/opla/educationpartnerships.htm>

November 7, 2016 meeting

- ❖ “Governing Guide to Financial Literacy Vol 3 Public Private Partnerships: Understanding the Risks & Rewards of Public-Private Partnerships,”
<http://www.governing.com/papers/Guide-to-Financial-Literacy-Vol-3-Understanding-the-Risks-Rewards-of-Public-Private-Partnerships-40501.html>
- ❖ “Recommendations and Resources for Evaluating Community School Programs,” MEPRI Report; Janet C. Fairman, Univ. of Maine and Amy F. Johnson, Univ. of Southern Maine (April 2016)
https://usm.maine.edu/sites/default/files/cepare/Recommendations_Resources_for_Evaluating_Community_School_Programs.pdf
- ❖ “Common Kindergarten Screening Pilot Project,” Report by Educare Central Maine (October 2014)
http://www.educarecentralmaine.org/image_upload/K%20Screening%20Report%20-%20Final2.pdf
- ❖ “Measures of Growth 2016: Performance Measures and Benchmarks to Achieve a Vibrant and Sustainable Economy for Maine,” Report by Maine Economic Growth Council (April 2016)
<http://www.mdf.org/publications/Measures-of-Growth-2016/859/>
- ❖ “Maine Schools in Focus: Addressing Educational Inequality, The Power of Public Preschools,” Editor: Gordon Donaldson; University of Maine (October 2016)
<https://umaine.edu/edhd/2016/10/20/maine-schools-focus-addressing-educational-inequality-power-public-preschools/>
- ❖ “Pay For Success for Early Childhood Grants for Feasibility Studies: U. S. Federal Register Notice,” (August 22, 2016); <https://www.gpo.gov/fdsys/pkg/FR-2016-08-22/pdf/2016-20021.pdf>
- ❖ “U.S. Department of Education Releases Guidance on Supporting Early Learning through the Every Student Succeeds Act,” U.S. Department of Education (October 2016)
<https://www.ed.gov/news/press-releases/us-department-education-releases-guidance-supporting-early-learning-through-every-student-succeeds-act>
- ❖ “Educare Central Maine Key Results Through 2015-16,” Dr. Cobo-Lewis PowerPoint slides evaluation report (November 2016); <http://www.maine.gov/legis/opla/educationpartnerships.htm>

- ❖ “Education Indicators for Maine 2016,” Report from Educate Maine (October 2016)
http://www.educatemaine.org/docs/16-068_EDME_2016_IndicatorsReport_Final.pdf
- ❖ “Maine Governor’s Children’s Cabinet, Report and Recommendations,” Report from Governor’s Children’s Cabinet (November 2010) <http://www.nwi.pdx.edu/pdf/ChildrensCabinet-ME.pdf>
- ❖ “Mayor Emanuel announces expansion of pre-k to more than 2,600 Chicago Public School Children,” Press release from Chicago (October 2014)
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APPENDIX F

Acknowledgement of Key Resource People and Organizations

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