

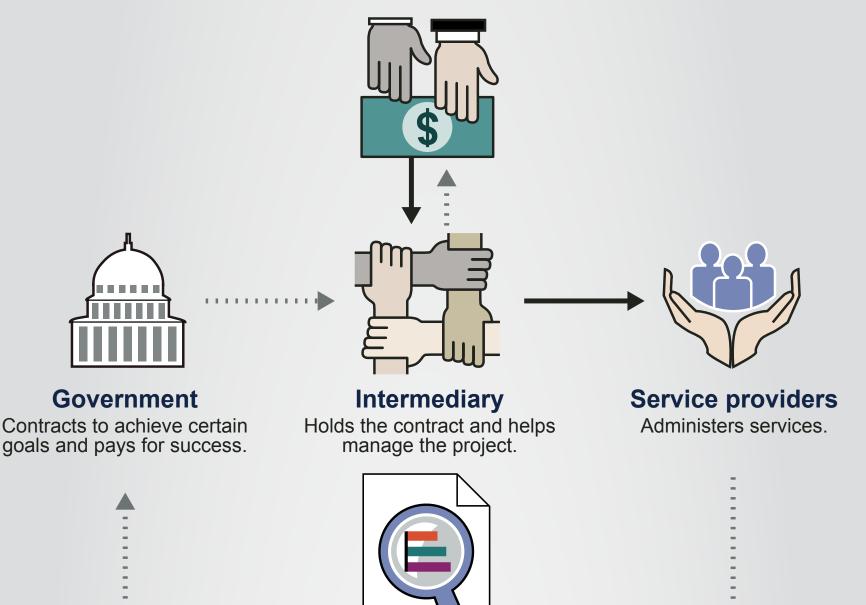
A look at a new way for government to finance prevention programs based on measured results.

AN OVERVIEW FROM GAO-15-646

Pay for Success is a financing mechanism to fund prevention programs, where investors provide capital to implement a social service. Once the government verifies a project's success, it pays the investors back based on how much money the project saved the government. Here's what it looks like:

Investors

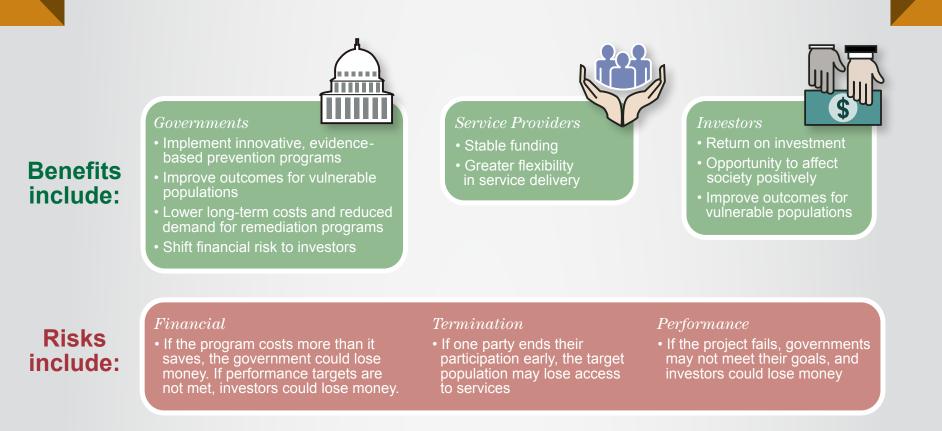
Fund projects upfront and receive returns based on success.



Evaluator Determines whether results were achieved.

Flow of upfront funding and project implementation Potential flow of achieved outcomes and outcome payments

What are the Benefits and Risks of Pursuing Pay for Success?



Example: New York Recidivism

This project is designed to reduce recidivism rates and increase employment rates of high-risk individuals recently released from state prison each year.



Investors

- Multiple private and philanthropic investors provide \$13.5 million in capital
- A foundation provides a 10 percent first-loss guarantee (up to \$1.3 million), which is intended to protect investor principal

10% \$13.5



Service providers

Will serve around 2,000 formerly



- incarcerated individuals
- Project calls for 4 years of service delivery



\$21.5



Evaluator

 Will conduct a random control trial and compare outcomes to a group that did not receive the intervention

State of New York and **U.S. Department of Labor**

• Will pay a combined maximum of \$21.5 million in outcome payments, at which point they expect at least **\$29.0 million** in savings and benefits

Example: Utah Early Childhood Education

This project funds Granite School District's high-quality preschool program. If the program is effective, it reduces future special education costs for at-risk children.



Investors

- Primary investors funding \$4.6 million in loans
- Secondary investors funding \$2.4 million in loans

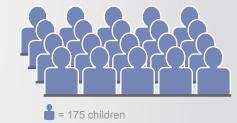


\$29.0



Service providers

- Will serve 3,500 children
- Project calls for 5 years of service delivery





Evaluator

- Administers pre-test to identify at-risk children in each cohort
- Determines how many at-risk children use special education after participating in the program



- Will pay about \$2,590 per student, per year not enrolled in special education



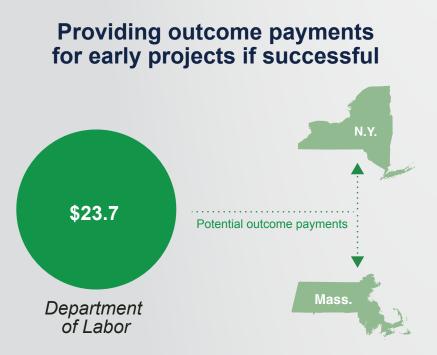




Can expect to save **\$2,700** per student

Federal Agencies Have Contributed to Pay for Success Projects in Two Ways

The federal government has played a limited role by:



DOL provided **\$23.7 million** in potential outcome payments to Massachusetts and New York to reduce recidivism and increase employment for recentlyreleased inmates.

Building the capacity of organizations interested in implementing projects in the future



Corporation for National and Community Service

CNCS provided **\$12.0 million** in grants to 8 intermediaries to help governments and nonprofits build their capacity to structure and implement projects.

LOOKING FOR MORE INFORMATION? Visit GAO.GOV/GAO-15-646



Ø This work has been released into the public domain.