

Results-based financing for education

Results-based financing (RBF) provides the government the opportunity to pilot projects, test innovation and see what works. The evolution from traditional input-based spending, leading to the increasing adoption of results-based financing solutions with the ability to deliver more and better societal outcomes, is probably the single greatest evolutionary step that the public sector should take to embrace the impact revolution.

Whilst the design and technical aspects of the different RBF tools are of the utmost importance, closely relating these to reality and to the issues we seek to address is paramount. This case study promotes this issue-centred approach, as an example of how RBF can have valuable role to play in improving educational outcomes.

CASE STUDY MEMPHIS AND SHELBY COUNTY PRE-K PROJECT (USA)

CRITICAL, UNFUNDED NEED

Kindergarten readiness: **In Shelby County, TN, 45% of children live in poverty**, one of the highest rates in the nation. In spite of evidence demonstrating quality early education leads to long-term success, there are **insufficient pre-K seats** for all children

EVIDENCE- BASED PROGRAM

The partnership **financed 1,980 seats** of high-quality, full-day pre-K using a research-based curriculum, alongside robust wraparound services for families and comprehensive professional development for teachers.

KEY OUTCOMES

Increase in school readiness and long-term academic success, measured by:

STUDENT AND FAMILY ENGAGEMENT - Student engagement and attendance is correlated with long-term academic success.

GROWTH IN PRE-LITERACY SKILLS - Pre-literacy skills demonstrate that students have a foundation for Kindergarten and beyond.

KINDERGARTEN READINESS - Shows that students are on track and on grade level with their higher-income peers.

ROBUST PUBLIC- PRIVATE PARTNERSHIP

CITY OF MEMPHIS & SHELBY COUNTY Government leadership identified high quality pre-K as a priority for their community and set a goal of universal needs-based pre-K over the coming years. They made a commitment to funding based on outcomes to ensure that their students were getting the high-quality education they deserve.

FIRST 8 MEMPHIS & SEEDING SUCCESS Seeding Success is a longstanding, strong advocate for disadvantaged families and has significant track record in achieving results. First 8 Memphis is its affiliate that is dedicated specifically to early childhood. First 8 Memphis is the Project Manager and Fiscal Agent in this project.

THE URBAN CHILD INSTITUTE A local funder of early childhood work, the Urban Child Institute invested \$3 million over 2 years.

MAYCOMB CAPITAL'S COMMUNITY OUTCOMES FUND As the senior lender in the project, investing \$12 million over 2 years, the Community Outcomes Fund helped lead the structuring and investment.

PROGRAM PARTICIPANTS

1,980 LOW-INCOME 4-YEAR OLDS SERVED OVER 2 YEARS

GENDER PROFILE

~50% female
~50% male students

RACE AND ETHNICITY

81% Black or African American students
14% Hispanic or Latinx students
5% White, non-Hispanic students

ENGLISH SPEAKERS OF ANOTHER LANGUAGE

9% Language other than English spoken at home



HOW IT WORKS

COLLABORATIVE PARTNERSHIP OF GOVERNMENT, SERVICE PROVIDERS, AND IMPACT INVESTORS



PAYS BASED ON OUTCOMES ACHIEVED



ACTS AS PROJECT MANAGER AND FISCAL AGENT



the community outcomes fund
MAYCOMB CAPITAL

PROVIDES WORKING CAPITAL LOAN TO FUND SERVICES



HIGH-QUALITY PROVIDERS
USE LOAN TO DELIVER HIGH-QUALITY, FULL DAY, PRE-K AND WRAP AROUND SERVICES

THE UNIVERSITY OF
MEMPHIS

PERFORMS DATA VALIDATION AND CALCULATION OF OUTCOME PAYMENTS



1,980 LOW-INCOME FOUR YEAR OLDS
RECEIVE HIGH-QUALITY, FULL DAY, PRE-K, AND WRAP AROUND

OUTCOMES TO DATE

2019-2020 SCHOOL YEAR

As in many communities, students were able to attend school in person through the third quarter of the school year. At the end of the third quarter, school buildings closed due to the spread of COVID-19.

Despite COVID-19 and the difficult circumstances it caused for students and families, the outcomes and financial performance of this investment were strong. Importantly, in the early days of the pandemic, Family Service Workers were able to connect students and their families to much-needed supports, such as food, printed learning materials and referrals to other services.

KEY PROJECT OUTCOMES INCLUDE:



980 seats of high-quality Pre-K financed across 49 classrooms.



95% average quarterly enrollment rate.



77% of students met or exceeded consistent attendance benchmark, on average, ahead of project goals.



~75% of students were on track with their academic skills as of the end of Q3 of the school year, when buildings closed due to COVID-19, **31% of whom started the year with significant deficiencies.**



Feedback from interviews with family, teachers, and family services workers indicates that children Pre-K environment had **positive impacts on children's educational, social, and emotional development.**

2020-2021 SCHOOL YEAR TO DATE

The 2020-2021 school year started largely with remote learning with some hybrid and in-person classes.

In the months leading up to the school year, all of the project partners came together to define success during COVID. As a result, the partners were set up for data collection and accountability systems to ensure students were engaged and learning during this unprecedented time.

OUTCOMES FROM THE FIRST QUARTER INCLUDE:



1000 seats of high-quality Pre-K financed across 50 classrooms.



872 students enrolled, which constitutes a stronger enrollment percentage than pre-K nationwide during COVID.



86% students consistently attending and engaging in classes in spite of challenges associated with COVID.



On average, 90% of classrooms met the threshold of live classes per week, which is important for student academic and social enrichment.



63% of student families completed a family needs assessment and received support services during the first quarter of the school year.