



Bringing Social Impact Bonds to New York City

The City of New York

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Mayor



What are Social Impact Bonds?

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



What are the Benefits?

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



Partners

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



Addressing Adolescent Incarceration in NYC

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



Funding & Payment: The SIB Component of ABLE

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



Payment Terms for Final Evaluation (4 Years of Investment)

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

* Savings after repayment and continued funding for program delivery.