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FAMILY SERVICES

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(1948-2008)

October 23, 2013

Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI 48933

Dear Mr. Samuel:

Starfish Family Services, a nonprofit organization based in Inkster, is pleased to submit the attached response to the State of Michigan's *Request for Information on Social Impact Bonds – Pay for Success Based Financing*.

We strongly believe that early childhood is a highly desirable candidate for a pay for success model and greatly appreciate the opportunity to submit this supporting brief.

A number of letters are also attached endorsing this recommendation.

Sincerely,


Ann Kalass
Chief Executive Officer



STATE OF MICHIGAN SOCIAL IMPACT BONDS – PAY FOR SUCCESS BASED FINANCING

Response from Starfish Family Services

This brief explores the major reasons for including proven early childhood and parent education services as a subject for Pay for Success (PFS) contracts in Michigan. These services – particularly pre-kindergarten education and home visiting – are well-suited for this financing model for three main reasons:

- I. Early childhood has the main characteristics required for a PFS model in Michigan**
 - A. Well-established evidence base, including short-term returns, augmented by long-term benefits
 - B. Existence of clear outcomes readily measured by assessments and institutional records
 - C. Semi-closed system, in which both the costs/implementation of services and the accrual of benefits are in one or a few agencies, facilitates capturing benefits and costs
 - D. Potential for savings at the state level, augmented by local government savings
 - E. Existing base of quality programs permit scaling up of effective level of quality
- II. Other states are plowing this path:** Michigan can both learn and lead. Active explorations are underway in a variety of states, such as Utah, Ohio, Pennsylvania, Colorado and Maryland, which can provide information and expertise to Michigan
- III. National experts are willing to provide specialized technical assistance on early childhood PFS to Michigan leaders**

This brief was prepared and submitted by Starfish Family Services, a private, nonprofit agency serving vulnerable children and families in metropolitan Detroit. Starfish is an Inkster-based 501(c)(3) that serves thousands of vulnerable children and families each year. The agency's core work is early childhood development and strives each day to prepare children for school success. Starfish programs uniquely recognize and respect the important role of parents and other caregivers in the long-term success of children. The organization has a dedicated workforce of more than 350 teachers, social workers, psychiatrists, child development experts, and other professionals.

Starfish is governed by a passionately engaged board of directors, and the agency leverages collaborative relationships to strengthen its capacity and achieve its mission. Starfish is funded through a combination of public and private investments with total annual income of about \$20 million. Daily, the organization serves nearly 1,100 low

income children five and under through center-based and home-based services funded largely through federal Early Head Start and Head Start grants along with the state's pre-kindergarten program, Great Start Readiness Program (GSRP). Starfish is a specialized provider of children's mental health services as part of the state community mental health system. Through rigorous internal evaluation, Starfish reports that more than 85% of its preschool children entering kindergarten in fall 2013 were ready for kindergarten (source: *Child Observation Records*).

Mission Throttle and the Max M. and Marjorie S. Fisher Foundation, particularly Phillip Wm. Fisher and Douglas Bitonti Stewart, are proud to support the effort to develop this response for an early childhood Pay for Success contract. They are committed to advancing this concept in Michigan to invest in our social needs including, but not limited to, quality early childhood interventions focused upon preventive investments rather than expensive remediation.

Support was provided by ReadyNation, a national initiative of America's Promise Alliance that supports business engagement on early childhood. ReadyNation is working with a variety of states that are developing an early childhood PFS model and is ready to help Michigan move forward (see below).

I. Early childhood has the main characteristics required for a PFS model in Michigan

A. Well-established evidence base, including short-term returns, augmented by long-term benefits

The economic benefit of investing in the first five years of children's lives is well established and impressive. During these critical years, children develop rapidly in all their cognitive, social, and physical systems. Specifically, the young child's brain develops rapidly to build the foundation of a range of cognitive and non-cognitive skills that form the basis for future learning and healthy development. Professor James Heckman, the 2000 Nobel Laureate in economics, has found that the return on investment in the first five years of life is tremendous and compounds for years in the future after the initial investment is made.¹ The two main interventions that have the greatest evidence base are pre-kindergarten education for three- and four-year-old children, and home visiting. Home visiting programs provide well-trained, professional mentors who work closely with at-risk expectant and new parents, who volunteer to participate, to support the healthy development of their young children.

Dr. Heckman's re-analysis of High-Scope's report on the Perry Preschool Project, developed in Ypsilanti, Michigan, revealed a 7%-10% per year return on investment based on increased achievement and decreased costs associated with remediation and rehabilitation. Further analysis over many years of the Carolina Abecedarian Project, the Chicago Child-Parent Center and dozens of other high-quality early childhood programs reveals a range of short- and long-term benefits. This ROI – derived from economic

development, increased productivity, and government savings or cost avoidance – makes early childhood a remarkably strong candidate for Pay for Success investments.

In addition, home visiting programs are also well suited for PFS investments because of the near term success outcomes that can form the basis for success payments. They can show results in terms of improved birth outcomes and reduced emergency room visits in the first two years of program implementation. In addition, a study of one home visiting program, Nurse Family Partnership, showed that it could pay for itself within four years.ⁱⁱ A range of organizations provide research data from longitudinal studies of early childhood education programs in Michigan and other states. High-quality early childhood care and education can close up to half of the educational achievement gap.ⁱⁱⁱ Long-term studies have shown that pre-kindergarten education, especially for disadvantaged children, can:

- Decrease special education placement 49 percent^{iv} and grade retention 50 percent;^v
- Decrease child abuse and neglect 51 percent^{vi} and juvenile arrests 33 percent;^{vii} and
- Increase high school graduation rates 31 percent, college attendance more than 80 percent;^{viii} and employment 23 percent.^{ix}

More recent studies also show impressive results. A current evaluation of Michigan’s pre-kindergarten education program, Great Start Readiness Program (GSRP), by High-Scope Educational Research Foundation showed that the program improved educational performance, including grade retention, high school graduation and Michigan Educational Assessment Program (MEAP) scores.^x This particular study found the program did not decrease subsequent special education placement, but other current studies of state-funded pre-k programs do show impacts on special education placement – for example, New Jersey’s program showed reductions of up to six percent in special education enrollment, and up to eight percent less likely to be retained in grade.^{xi} A meta-analysis of 120 studies of early education from the National Institute for Early Education Research at Rutgers University found widespread benefits.^{xii} And a report just released in October 2013 from the Society for Research in Child Development, “Investing in Our Future: The Evidence Base on Preschool Education” concluded “Large-scale public preschool programs can have substantial impacts on children’s early learning.”^{xiii}

The Michigan Department of Community Health’s evaluation of the state’s home visiting program, called the Maternal Infant Health Program (MIHP), also found impressive results that readily translate into financial savings:^{xiv}

Prenatal Care: Pregnant women enrolled in MIHP were more likely to obtain prenatal care and had an improved adequacy of prenatal care through pregnancy.

Birth Outcomes: Infants whose mothers were enrolled in MIHP had reduced rates of low birth weight, very low birth weight, and extreme prematurity.

Maternal Postnatal Care: Mothers enrolled in MIHP were more likely to present for an appropriate postnatal checkup.

Infant Use of Preventive Health Services: Infants whose mothers were enrolled in MIHP were more likely to present for any well-child visits and were more likely to have the appropriate number of well-child visits over the first year of life.

Based on these studies, there is strong evidence that select early interventions can have major impacts on outcomes with substantial financial benefit implications.

B. Existence of clear outcomes readily measured by assessments and institutional records

Research has identified clear performance measures that can track the impact of early childhood interventions, many of which can be tracked using standardized public databases, rather than requiring specialized assessments. Included in these performance measures are: the improvement of birth outcomes, reductions in emergency room visits, reduction of child maltreatment, improvement in maternal employment and welfare use, reduction in special education placement, grade retention and arrests.

C. Semi-closed system facilitates capturing benefits and costs

Pre-k and home visiting programs are well suited for PFS, in part because of the semi-closed systems in which they operate. This means that the services are provided, costs are generated, and benefits are accrued within a single or limited number of government entities. Most cost avoidance from pre-k programs is educational in nature and realized by the district and state education system (e.g. reduction in special education placements and remediation). Much of the benefit from home visiting programs is derived from a larger but still limited set of systems, especially health care and child welfare. This situation is similar to what has been found in the development of criminal justice related PFS models and allows for simplicity in PFS contracting and deal construction by involving fewer government systems. Therefore, transaction costs are expected to be less because there are fewer systems involved.

D. Potential for savings at the state level, augmented by local government savings

The savings from early childhood outcomes include a mix of state and local benefits. Early childhood health benefits, particularly Medicaid savings, would accrue to the federal and state governments. According to “Cost savings of school readiness per additional at-risk child in Detroit and Michigan,” a study completed by Wilder Research in 2012, the per-child dividend or annual savings for the average Michigan child is \$39,473, if a child starts kindergarten ready to learn.^{xv} The study traces the individual benefits obtained, and social costs avoided, as a result of early childhood programs focused on at-risk children ages 3-5. Statewide, every one percent improvement in school readiness among Michigan’s estimated 140,000 kindergartners would result in \$55.3

million dividend or savings to the state, including impacts on social services, criminal justice, special education and grade repetition. In addition, an at-risk child who goes to preschool will earn \$13,081 more than a child who doesn't, an earnings difference that results in modest extra tax revenue to the state (\$262) and other benefits.^{xvi}

E. Existing base of quality programs permits scaling up of effective level of quality

As with most social programs, early childhood programs and interventions are inadequately funded to generate significant systems-level impacts despite the proven, impressive returns on investment of early childhood programs. Government in Michigan - like governments elsewhere - is stretched thin by remediating the problems of low-birth-weight babies, child abuse and neglect, developmental delays, learning disabilities, and crime. These existing expenditures get in the way of spending the money preventively so as to avoid those expenditures in the first place.

Michigan's pre-k services are a mix of state-funded Great Start Readiness Program (GSRP), federal-funded Head Start, local and privately-paid programs. GSRP, in conjunction with federally-funded Head Start programs, serves over 47,000 low-income four-year olds annually, through either a half-day or full-day program of educational preparation. According to the National Institute for Early Education Research (NIEER), currently only 19% of four-year olds, and no three-year-olds, are served in Michigan's GSRP program.^{xvii} Another 15% of four-year olds, and 10% of three-year-olds, are in Head Start. Overall, 66% of four's and 87% of 3's are in either local, private or no pre-k program (there is no data to differentiate among these). A 2012 study found an estimated 29,400 additional low-income 4-year old children in Michigan are eligible but not currently served by a Great Start or Head Start program.^{xviii}

In 2003, Michigan ranked 14th in per-pupil spending among 36 states that provided funding for preschool for 4-year-olds, according to NIEER data.^{xix} Just eight years later, in 2011, Michigan had dropped to 33rd out of the 39 states that funded preschool. That year, the state provided \$3,400 per student to GSRP, which translated into a 23% decline in real dollars.

However, the state has recently increased its focus on pre-k. In 2013, the Michigan House and Senate passed a \$65 million expansion of the GSRP program after Gov. Rick Snyder proposed the expansion with his budget address.^{xx} The state increased the amount it provides per program slot to \$3,625. As a result, more than 10,000 additional Michigan four-year-olds and their families will have the opportunity to participate in GSRP. This recent expansion shows that the state can expand its pre-kindergarten program over time, if funding is available. Furthermore, testing out a PFS model does not require statewide expansion but rather only in a particular region that has the appropriate characteristics for a pilot program.

There are no comparable, comprehensive figures for coverage of at-risk populations for home visiting, but it's clear the vast majority of disadvantaged families do not have access to this program. In 2011, Michigan took steps to strengthen its \$21 million investment in home visiting as Governor Rick Snyder signed HB 4526 into law (Public

Act 291 of 2012), demonstrating policymakers' commitment to supporting programs that are proven to work. The law requires that 50 percent of spending on home visiting be directed toward evidence-based and promising programs. It also provides \$1.5 million in funding to the Nurse-Family Partnership. Michigan's support for home visiting is especially critical, given that the number of confirmed victims of child abuse and neglect in the state rose 16 percent between 2000 and 2008, according to the Annie E. Casey Foundation's Kids Count Data Book 2009. Currently, there are 354 home visiting programs in Michigan. Of those, twelve models meet the criteria for evidence-based.

Additionally, the U.S. Department of Health and Human Services awarded the Michigan Department of Community Health Maternal, Infant and Early Childhood Home Visiting Program \$8.4 million in grant funding for federal fiscal year 2011. Combined with the federal fiscal year 2010 funding, Michigan's total grant award for home visiting totals more than \$10.5 million. This funding provides an opportunity to deliver evidence-based, early childhood home visiting services in order to aid families who need assistance and reside in at-risk communities.

II. Other states are plowing this path – Michigan can both learn and lead

A wide variety of states, including Utah, Ohio, Pennsylvania, Maryland, South Carolina, Texas and others, are pursuing PFS models for early childhood. Many of them have assembled high-level teams of public officials, private financiers, philanthropists and service providers to lay the groundwork for this venture. Below are a few examples. Michigan can both benefit from these experiences, as well as lead the nation in using this vehicle to expand services that will position the state well now and for the future.

A. Utah

In June 2013, Goldman Sachs and J.B. Pritzker committed \$7 million through a social impact bond in Utah, where the Granite School District's structured preschool curriculum for at-risk students has significantly reduced the need for special education and remedial services in elementary school. With the United Way of Salt Lake playing the role of the intermediary, this project endeavors to establish the feasibility of using PFS financing to scale the quality pre-kindergarten program specifically focused on the reduction of special education and its associated costs to the school district. The reduced need for special education services as a result of the pre-kindergarten program was established through a multi-year longitudinal evaluation of the curriculum and program in the Granite School District. Furthermore, this project has established that there is significant investor interest from major commercial and private investors in investing in early childhood pay for success projects.

B. South Carolina

South Carolina has recently released a Pay for Success RFI focused exclusively on early childhood and maternal health, based on the Institute for Child Success's recent feasibility study, *Using Pay for Success Financing to Improve Outcomes for South*

Carolina's Children. This study determined that Pay for Success Financing was an appropriate mechanism for scaling and sustaining Nurse-Family Partnership (NFP), a proven home-visiting model focused on improving maternal and child health, but demonstrating longer term impacts in juvenile justice, school readiness, and maternal life-course. The South Carolina study was built primarily upon the reductions in pre-term births (and their associated Medicaid costs) as the primary success outcome, which NFP is consistently achieving in current South Carolina implementation. Reduction in emergency department visits was considered as the secondary outcome. The Institute for Child Success analysis validated long-held expectations in the PFS field that early childhood home visiting interventions were promising candidates for Pay for Success Financing.

In addition, South Carolina was selected to participate in the Harvard Kennedy School Social Impact Bond Technical Assistance Lab (SIB Lab), which will provide help to a variety of states on PFS contracts. South Carolina was selected due to the level of commitment and readiness demonstrated by the government, the feasibility of the proposed early childhood PFS project, and the state's interest in applying the SIB model to maternal and child health. South Carolina's application was based upon the proposed expansion of the Nurse Family Partnership program at the South Carolina Department of Health and Human Services. The assistance provided by the SIB Lab will help with the expansion in order to achieve better outcomes for citizens and make more effective use of taxpayer dollars.

C. Texas

Also of relevance to an early childhood project in Michigan is the development of a multi-jurisdictional feasibility project to study using Pay for Success Financing to scale and sustain the Positive Parenting Program (Triple P). Triple P is a parenting and family support system designed to prevent and treat behavioral and emotional problems in children and teenagers. The program aims to prevent problems in the family, school and community before they arise and to create family environments that encourage children to realize their potential. It operates at a variety of levels – from broad community education efforts to intensive family support services. This effort is intended to establish the feasibility of using PFS for a program that improves population level outcomes for children and families while gaining efficiencies in the feasibility process by engaging multiple jurisdictions at once. Michigan should monitor this development as it seeks to interventions with population level impacts that could take advantage of PFS financing.

III. National experts are willing to provide specialized technical assistance on early childhood PFS to Michigan leaders

A significant reason for Michigan to consider including early childhood among areas ripe for Pay for Success contracting is the set of materials and tools already developed to help states and cities explore and implement these financing strategies. As mentioned above, the Harvard SIB Lab has included early childhood among the topics for PFS models.

Another body of technical assistance comes from ReadyNation, a national initiative of America’s Promise Alliance. In 2011, ReadyNation’s chair, Dr. Rob Dugger, created a national working group of public and private leaders interested in creating PFS models. This group has become a locus for state and local groups exploring these options, with materials from many states located at www.ReadyNation.org/PFS. ReadyNation would commit to helping Michigan leaders connect with and learn from other states, such as those described above.

Dr. Dugger wrote the first paper on early childhood PFS (then called PKSE – pre-kindergarten-special education – bonds). He recently co-authored a study called [“Financing Human Capital Development for Economically Disadvantaged Children: Applying Pay for Success Social Impact Financing to Early Childhood Development.”](#) This paper looked at the results of a 2006 evaluation of pre-kindergarten in Pennsylvania and concluded that the results suggested the potential for a PFS contract in that state. A local group is exploring the creation of this vehicle.

A next major endeavor was to provide assistance creating early childhood PFS contracts. The early stage of creating new products, services and markets is much more challenging because of the lack of standardized contracts. This is particularly the case in non-traditional markets such as PFS contracting, in which there are several parties, including some which do not have significant commercial or private sector financing experience. The availability of contracts which have standardized terms and conditions and are familiar to the parties makes the transaction process more efficient. However, prior to standardization, contracts must be developed and completed from scratch in order to move transactions forward.

In recognition of the need for standardization and that circumstances vary across all jurisdictions, ReadyNation developed a working group comprised of parties with expertise in the disciplines needed to develop PFS transactions including finance, accounting, law and early childhood service provision. The group’s goal is to facilitate the creation of early childhood pay for success programs by developing some of the documents required to carry out this work. Local PFS contracts will have to be developed to meet the needs and unique situations of each jurisdiction. The working group has developed approaches that will enable program sponsors and attorneys to build from a base of knowledge and materials that can be applied to their unique circumstances, instead of re-inventing every contract in each instance.

The working group developed a set of outlines for contracts entitled [“Early Childhood Pay for Success Social Impact Finance: Organizational Steps, Memorandum of Understanding and Contract Outlines”](#) that cover the following arrangements:

- (i) a service provider contract that provides the terms for intermediaries to pay service providers;
- (ii) a government contract specifying how governments would make success payments to intermediaries; and

- (iii) an evaluation contract that includes the terms and conditions under which intermediaries and governments would pay evaluators.

Michigan leaders would have access not only to the contract outlines, but also to the experts who developed the content.

In addition, this year ReadyNation established the Early Childhood Social Impact Performance Advisors. This is an effort designed to help public sector finance and private investment and legal professionals understand and develop innovative alternative financing mechanisms to fund early childhood programs. This initiative is sponsored by the Pritzker Children’s Initiative, a national project of the J.B. and M.K. Pritzker Family Foundation. ReadyNation has developed internal capacities (see above) and relationships with organizations across the country with expertise in social impact finance to assist states in moving PFS for early childhood forward rapidly. In addition to providing technical assistance for states interest in early childhood PFS, ReadyNation is convening a conference in Charlotte, North Carolina on March 27-28, 2014 for high-level state, county, city, and district officials to develop the capacities necessary for developing PFS transactions. **In order to assist Michigan in moving PFS forward, ReadyNation is able to guarantee a spot at the invitation-only conference for a high-level team from Michigan.**

IV. Endorsements and Conclusion

Based on the analysis above, we propose that early childhood is a highly desirable candidate for a PFS model. Endorsement letters, supporting early childhood and this submission from Starfish Family Services, are attached from the following organizations:

- The PNC Financial Services Group – Richard L. DeVore, Regional President
- Children’s Leadership Council of Michigan – Debbie Dingell & Doug Luciani, Co-chairs
- Early Childhood Investment Corporation – Marijata Daniel-Echols, CEO
- Mission Throttle, Phillip Wm. Fisher, Founder
- Grand Rapids Community Foundation, Diana R. Sieger
- The Kresge Foundation, Wendy Jackson, Senior Program Officer
- Max M. & Marjorie S. Fisher Foundation, Doug Bitonti Stewart, Executive Director
- The Skillman Foundation, Kristen McDonald, Vice President, Program and Policy
- Steelcase Foundation, Julie Ridenour, President

ⁱ Heckman analyses available at www.heckmanequation.org. See in particular Heckman, James “The Case for Investing in Disadvantaged Young Children” in *Big Ideas for Children: Investing in Our Nation’s Future* and Heckman, James et al (2008). “The rate of return to the Perry Preschool program.” Unpublished manuscript, University of Chicago, Department of Economics.

ⁱⁱ Karoly, L.A., Kilburn, M.R., and Cannon, J.S. 2005. “Early Childhood Interventions: Proven Results, Future Promise.” The RAND Corporation, Santa Monica, CA.

ⁱⁱⁱ Barnett, W.S. (2012, April 17). New research on pre-k and its policy implications. *Economic Summit on Early Childhood Investment*. Lecture conducted from Harrisburg, PA. Retrieved from: <http://www.paelic.org/images/stories/documents/PAPreK2012Barnett412.pdf>

^{iv} University of Louisiana at Lafayette. Cecil J. Picard Center for Child Development and Lifelong Learning; University of Alabama at Birmingham. Center for Educational Accountability; Georgetown University. Center on Health & Education. (2007). LA 4 & Starting Points prekindergarten program evaluation 2006-2007: full report. Retrieved from: <http://www.doe.state.la.us/lde/uploads/12697.pdf>

^v Barnett, W. S., & Masse, L. N. (2007). Comparative benefit–cost analysis of the Abecedarian program and its policy implications. *Economics of Education Review*, 26(1), 113-125. Retrieved from: <http://www.sciencedirect.com/science/article/pii/S0272775706000239>

^{vi} Schulman, Karen (2005). Overlooked benefits of prekindergarten. National Institute for Early Education Research. Retrieved from: <http://nieer.org/resources/policyreports/report6.pdf>.

^{vii} Arthur J. Reynolds et al. (2001). Age 21 cost-benefit analysis of the Title I Chicago child-parent center program executive summary. Retrieved from: <http://www.waisman.wisc.edu/cls/cbaexecsum4.html>

^{viii} Barnett, W. S., & Masse, L. N. (2007). Comparative benefit–cost analysis of the Abecedarian program and its policy implications. *Economics of Education Review*, 26(1), 113-125. (Data for high school graduation uses the Abecedarian numbers, while data for college attendance uses Perry Preschool.) Retrieved from: <http://www.sciencedirect.com/science/article/pii/S0272775706000239>

^{ix} HighScope Perry Preschool Study. (2004). HighScope press release. Retrieved from: <http://www.highscope.org/Content.asp?ContentId=282>

^x Schweinhart, Lawrence et al (2012) “Michigan Great Start Readiness Program Evaluation 2012: High School Graduation and Grade Retention Findings” http://www.highscope.org/file/Research/state_preschool/MGSRP%20Report%202012.pdf

^{xi} Barnett, W. S., Jung, K., Youn, M. J., & Frede, E. C. (2013). Abbott Preschool Program longitudinal effects study: Fifth grade follow-up. *National Institute for Early Education Research*. Retrieved from: <http://nieer.org/sites/nieer/files/APPLES%205th%20Grade.pdf>

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- ^{xii} Camilli, Gregory et al (2008) “Meta-Analysis of the Effects of Early Education Interventions on Cognitive and Social Development” <http://www.nieer.org/publications/journal-articles/meta-analysis-effects-early-education-interventions-cognitive-and>
- ^{xiii} Yoshikawa, Hirokazu et al, (2013) “Investing in our Future” http://www.srcd.org/sites/default/files/documents/washington/mb_2013_10_16_investing_in_children.pdf
- ^{xiv} Meghea, Cristian et al, (March 2013) “A Quasi-Experimental Population-Based Evaluation of the Michigan Maternal Infant Health Program,” Michigan Department of Community Health and Michigan State University.
- ^{xv} Chase, Richard and Jose Diaz (2011). “Cost savings of school readiness per additional at-risk child in Detroit and Michigan” Wilder Research. Retrieved from: <http://www.wilder.org/Wilder-Research/Publications/Studies/Detroit's%20One%20Child%20School%20Readiness%20Dividend/Detroit's%20One-Child%20School%20Readiness%20Dividend,%20Summary.pdf>
- ^{xvii} NIEER data from *The State of Preschool 2012*. www.nieer.org/yearbook.
- ^{xviii} Center for Michigan and Public Sector Consultants (2012). “A Greater Start: Why intensified public preschool is crucial to K-12 student success and system reform – and options to get there.”
- ^{xix} French, R. (2012). Michigan lags behind other states in pre-k efforts. *Bridge Magazine*. Retrieved from: <http://bridgemi.com/2012/09/michigan-lags-behind-other-states-in-pre-k-efforts/>.
- ^{xx} French, R. State adopts ‘nation’s largest’ expansion of early childhood funding. Retrieved from: <http://bridgemi.com/2013/05/state-adopts-nations-largest-expansion-of-early-childhood-funding/>

Richard L. DeVore
Regional President
Detroit & Southeast Michigan
T 248-729-8460 richard.devore@pnc.com



October 24, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI. 48933

Subject: Support for Early Childhood/SIB RFI

Dear Mr. Samuel:

I am writing today for two reasons. First, I'd like to express my personal appreciation for Governor Snyder's leadership in creating innovative solutions to solve Michigan's social and environmental problems. Teaming up service providers and private sector investors through the social impact bonds model of pay for performance is bound to help us reach our targets and save taxpayer dollars, while solving our most pernicious social problems.

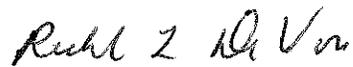
Second, as the banner carrier for Grow Up Great, PNC Foundation's signature cause, I wanted to share my passion for support of Early Childhood Education. As you may know, PNC has committed \$350 million over ten years through grants, advocacy, community awareness and employee volunteerism to improve school readiness among preschoolers in low to moderate income households throughout our corporate footprint. In Detroit, we recently announced a two year extension of our preschool program in the Detroit Public Schools, with a \$950,000 grant, doubling the number of children served over each of the last three years to over 450 this year, and continuing our arts and science infused school readiness programming for the next two years.

As the governor knows, PNC directs its annual \$150,000 United Way gift to Early Childhood support within the EAA. We also support many other Early Childhood programs and organizations, such as Starfish Family Services, with Grow Up Great grants and resources. Through my work with PNC Grow

Mr. Brandon Samuel
October 24, 2013
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Up Great, I have become acutely aware of how great the need is for quality preschool education and of the necessity of finding new and innovative sources of capital to serve the children of Michigan. I appeal to you to include Early Childhood as an area of focus for placement of social innovation bond funding and to give strong consideration to Starfish Family Services as a fiduciary of these resources.

Sincerely,

A handwritten signature in cursive script that reads "Richard L. DeVore".

Richard L. DeVore
Regional President

Children's Leadership Council of Michigan

Business Leaders Committed to Investment in Early Childhood

October 24, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
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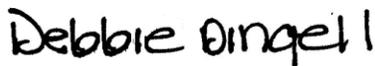
Dear Mr. Samuel:

We write on behalf of the Children's Leadership Council of Michigan (CLCM) in support of Starfish Family Services' letter of information in response to the State of Michigan's social impact bond request for information. The CLCM is comprised of sixteen business leaders from across Michigan who advocate for wise investment in evidence-based early childhood strategies. A social impact bond for early childhood would be an innovative opportunity to strengthen investment in high-quality programs that have been proven to reduce downstream special education, grade repetition, juvenile justice and other costs borne by Michigan taxpayers.

We are businesspeople. We understand the importance of sound investment up front to assure that Michigan's talent pool grows significantly to meet the challenges of the future economy. Research suggests that properly targeted early childhood investment promises to deliver a higher return than most, if not all, other investments in people. For example, the HighScope Educational Research Foundation's longitudinal evaluation demonstrates that the state's public preschool program improves high school graduation rates and reduces grade repetition. These results should excite children, families, and all taxpayers. The letter of information from Starfish Family Services, an organization devoted to serving low-income children and families in southeast Michigan, offers an exciting opportunity to focus on early childhood in future stages of your investigation of social impact bonds.

Thank you again for exploring this creative avenue for strengthening investment in meritorious initiatives that serve the people of Michigan.

Sincerely,



Debbie Dingell
Co-chair



Doug Luciani
Co-chair

Debbie Dingell, Co-chair | Doug Luciani, Co-chair

Vernice Davis Anthony, Glenn Barba, Lew Chamberlin, Matt Clayson, Paula Cunningham, Fred Dillingham, Phillip Wm. Fisher, Rob Fowler, Paul Hillegonds, Sue Jandernoa, Olivia Lagina, Alyssa Martina, Leslie Murphy, Philip Power, Tim Salisbury

October 24, 2013



Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
530 West Allegan Street
2nd Floor Mason Building
Lansing, Michigan 48933

RE: Letter of Support for Starfish Family Services' Response to the Michigan Social Impact Bond Request for Information (RFI)

Dear Mr. Samuel:

The Early Childhood Investment Corporation (ECIC) is pleased to submit this letter of support for Starfish Family Services in its response to the Michigan Social Impact Bond Request for Information (RFI).

ECIC has welcomed Governor Snyder's leadership in pursuing creative and innovative solutions to meet the social and environmental needs of Michigan. Indeed, the State of Michigan can be proud of its national reputation for success in improving the lives of its citizens through recently implemented social, economic and technological programs. In particular, Governor Snyder and the Michigan legislature have sown the seeds for long term improvement in our state's quality of life through budget actions enhancing support for early childhood education. Governor Snyder's early childhood agenda recognizes the benefits of public and private investment in our state's youngest citizens. ECIC serves the state as an information resource on evidence-based early childhood best practice and is charged with creating innovative state-local and public-private partnerships to better serve and advance the interests of young children in Michigan. We share the governor's passion for programs and policies that create benefits for Michigan's children and their families today and for future generations.

New and innovative sources of capital are essential in continuing to serve the children of Michigan. The evidence for the return on investment of high quality early childhood care and education programs is clear and research-validated. We know that we can improve the lifetime social, economic, and health outcomes for individual children and society as a whole by ensuring that they are healthy, safe, and ready to learn. Thus, it is imperative that our state's Social Impact Bond proposal include successful early childhood organizations.

October 24, 2013
Mr. Brandon Samuel
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ECIC enthusiastically supports Starfish Family Services in their response to the current RFI. They have established a strong record of achievement in the work of child development and the strengthening of families, in close collaboration with community partners. Through the implementation of federal, state, and privately funded programs, they have shown their ability to deliver high quality services to vulnerable families and have demonstrated a commitment to measuring and documenting impact. Their work is in alignment with Governor Snyder's stated objectives for the lives of young children in Michigan and deserving of full consideration as an important component of this initiative.

Respectfully,

A handwritten signature in blue ink that reads "M. Daniel-Echols".

Marijata C. Daniel-Echols, Ph.D.
Chief Executive Officer



MISSION THROTTLE

October 24, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI 48933

Re: Support for Early Childhood/SIB RFI

Dear Mr. Samuel:

Our state's unprecedented social and economic challenges underscore even further the value public, private and non-profit sectors must continue to place on our responsibility to make a positive difference in a sustainable way. We have long admired Governor Snyder's leadership and innovative approach to solving Michigan's challenges, particularly around early childhood education. These changes are leading us in the right direction, toward long-term financial stability for Michigan, better results for our state's children and ultimately greater economic development.

We must do more to insure sustainability. The benefits of investing in early childhood education are clear: at-risk children who participate in early education programs are more likely to enter kindergarten ready to learn, setting them on the path for success during their school years and beyond. Evidence-based research has repeatedly shown that investments in children age five and younger improve school readiness and decrease crime, delinquency and substance abuse. More broadly, preschool has long-term benefits, including higher rates of high school graduation. These outcomes for young people have proved to result in cost savings to state, local and the federal governments.

And yet, despite broad consensus and supporting research about the value of early childhood education, many children never experience the opportunity to attend school before age five. The challenge is how to provide high-quality preschool to more children during a time of diminished government resources and support scalable, sustainable, measurable solutions that get at the root cause of systemic problems. As an organization that values the blending of business solutions and philanthropic values to produce the greatest societal impact, Mission Throttle considers applying the SIB model to early childhood programs a natural fit.

We support Starfish Family Service's response to the Michigan Social Impact Bond RFI. Our relationship with Starfish Family Services spans over two decades and we have witnessed first-hand their experience in helping at risk children and their families. Starfish serves in excess of 10,000 vulnerable children and families each year with more than a dozen programs at multiple service sites throughout metropolitan Detroit.

The pay for success model applied to early childhood education will provide a new framework for thinking about how the public and private sectors may work together to alleviate the financial burden on taxpayers and generates savings to governments. Michigan is already lagging behind other states that believe investing high quality preschool today means huge economic success in the future. If our children are ever to compete in the future economy, we must bring to scale quality preschool opportunities. It's a huge investment, and money well spent.

In conclusion, we are proud to support the Governor, Messrs. Rustem and Pavona in pushing forward innovative solutions that activate all stakeholders into solving our community's social needs. Moving Early Childhood into the next phase of investigation parallels the Governor's P-20 platform and provides a voice for children that have none. We encourage you to look favorably upon Starfish's response and stand ready to move forward together.

Thank you in advance for your consideration,



Phillip Wm. Fisher
Mission Throttle, Founder

ADDITIONAL AFFILIATIONS

Max M. and Marjorie S. Fisher Foundation, Vice Chairman
The Fisher Group, Board Member
Children's Leadership Council of Michigan, Member
United Way of Southeastern Michigan, Board Member
Starfish Family Services, Board Member
Detroit Symphony Orchestra, Chairman of the Board
Community Foundation for Southeast Michigan, Board Member
The Henry Ford, Board Member
Council of Michigan Foundations, Board Member

ABOUT MISSION THROTTLE

Mission Throttle is a Michigan-based impact investing firm dedicated to strengthening citizens' connections to their communities and accelerating the pace of community impact by blending business solutions and philanthropic values. We invest in, advise and educate local social enterprises that provide solutions to society's most pressing social and environmental challenges.



October 24, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI 48933

RE: Early Childhood Services & Social Impact Bonds

Dear Mr. Samuel:

As part of the philanthropy community in Grand Rapids, we are excited that Governor Snyder's administration released a Request for Information (RFI) about ideas for Social Impact Bonds (SIBs).

SIBs provide an excellent opportunity to improve performance in the social sector and serve as a way to leverage increased capital in programs that work. Moreover, SIBs have a chance to lead the way in identifying opportunities to redirect existing tax expenditures toward programs and services that make a difference in the lives of families while providing a return to the greater society.

One area that we are extremely hopeful for related to SIBs is early childhood services. We know that several organizations – from Starfish on the east side of the State; to First Steps and Ready for School on the west side of the State – have submitted responses for regarding potential early childhood services. We strongly believe that these proposals deserve serious consideration as the State begins to construct its Social Impact Bond Request for Proposal. As you know, early childhood investment has a documented return on investment from a variety of sources. For us, including it as an option in the RFP just makes good sense.

Again we are so excited about the opportunity that is in front of us. Please feel free to contact us if we can be of assistance in the work going forward.

Sincerely,

A handwritten signature in cursive script that reads "Diana R. Sieger".

Diana R. Sieger
Grand Rapids Community Foundation

THE KRESGE FOUNDATION

STRONGER NONPROFITS. STRONGER COMMUNITIES.

October 24, 2013

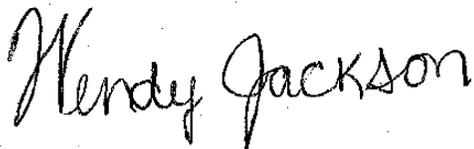
Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI. 48933

RE: Support for Early Childhood/SIB RFI

Dear Mr. Samuel:

The Governor's passion for early childhood development and education has created much needed momentum for communities seeking to improve the life trajectory of young children. This leadership will serve our State and cities like Detroit well as we strengthen our talent pipeline and create the conditions for transformative change. To support this ambition, the Kresge Foundation has made strategic investments in stellar organizations such as the Office of Great Start and Starfish Family Services who are working to bring innovation to this work.

Thank you,

A handwritten signature in black ink that reads "Wendy Jackson". The signature is written in a cursive, flowing style.

Wendy Jackson

Senior Program Officer

M&MFisher
Max M. & Marjorie S. Fisher Foundation

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October 17, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI 48933

Dear Mr. Samuel,

On behalf of the Max M. & Marjorie S. Fisher Foundation, I am grateful for the opportunity to share our strong support for Starfish's submission to the recently issued RFI, encouraging the state to focus on early childhood education as an area of priority in conjunction with the social impact bond initiative.

Starfish is a very well-respected leader in our region, with demonstrated effectiveness in delivering two-generation programming aimed at educating young children at-risk and their families struggling to overcome the devastating long-term effects of poverty. For more than two decades, the highly qualified Starfish staff has been guiding parents toward job preparedness, higher levels of education, effective parenting, and financial management while creating healthy, stimulating educational environments for their young children to ensure kindergarten readiness and successful adulthood.

Numerous research studies are consistently clear about the critical role of high quality early childhood education in the biological development of the human brain early in life. Investments in effective early education programs, particularly for low-income children at risk of school failure, prevents or reduces needless public spending throughout the educational, social welfare, and criminal justice systems for juveniles and adults. Immediate investments in high quality early education made possible through public and private partnerships can accelerate access to programming for children at-risk and improve lifelong outcomes, resulting in significant savings to state and federal programs.

The Foundation is pleased to join Starfish in their commitment to changing the trajectory for young children born into poverty. The Fisher Foundation welcomes an opportunity to work alongside our state leadership, community organizations dedicated to extending high quality care, our philanthropic partners committed to early childhood initiatives, and the families who are hopeful that their children will lead happy and healthy lives. Through the creation of Pay for Success initiatives, Michigan can help to ensure that all our vulnerable children have an equal opportunity to enter kindergarten ready to learn by focusing the venture on early childhood education.

Sincerely,



Douglas Bitonti Stewart
Executive Director

The Skillman

F O U N D A T I O N

1960

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October 24, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI. 48933

RE: Letter of Support for Early Childhood/SIB RFI

Dear Mr. Samuel:

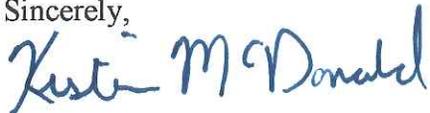
The Skillman Foundation is proud to support Starfish Family Services in their response to the Michigan Social Impact Bond Request for Information (RFI). The Foundation fundamentally believes that deliberate investments in the strong growth of children are vital to Michigan's future. It is important that there are continued efforts to find new and innovative sources of capital to serve the children of Michigan. The Michigan Social Impact Bond RFI represents a leadership opportunity for Michigan in the national arena to improve early learning and development programs for young children.

The Skillman Foundation is a private philanthropic organization whose chief aim is to move the needle on meaningful high school graduation rates in Detroit, so that kids are prepared for college, career and life. The Foundation believes high school graduation begins with investment and achievement at the early childhood level. Skillman's work in elementary schools on the three pillars of excellence including: literacy and math instruction, student voice/personalization and community connections and supports will work towards a common agenda of improving outcomes for children in Detroit. Starfish Family Services, in the same principle, believes this is one of the important ways to improve outcomes for children, especially children from low-income backgrounds.

The Foundation appreciates the Governor's leadership to create innovative solutions that will undoubtedly assist children in early childhood education programs. It is the honor of the Foundation to support Starfish Family Services application by including our name to the list of supporters.

Starfish Family Services application will assist in improving outcomes to better serve children. Skillman believes it is important to include early childhood in the future stages of your investigation to determine where funding is needed the most. The importance of ensuring resources are integrated and maximized to improve child outcomes in Michigan is a critical step in the right direction to improve outcomes for young children. It is important to the Foundation that early childhood improvement continues in Detroit and throughout the state of Michigan. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Kristen McDonald". The signature is written in a cursive style with a large, stylized "K" and "M".

Kristen McDonald
Vice President, Program and Policy

October 22, 2013

Mr. Brandon Samuel
Department of Technology Management and Budget
DTMB Procurement
2nd Floor, Mason Building
530 West Allegan Street
Lansing, MI. 48933

President
Julie Ridenour

Subject: Support for Early Childhood/SIB RFI

Trustees
James P. Hackett
Mary Anne Hunting
Elizabeth Welch Lykins
Mary Goodwillie Nelson
Craig Niemann
Robert C. Pew III
Kate Pew Wolters

Dear Mr. Samuel:

This letter is written in support of the application of Starfish Family Service's response to the Michigan Social Impact Bond Request for Information.

While most of my work is done on the Western Side of the State, the challenges faced here are every bit as deep, if not as broad, as those faced in Detroit and its environs. On behalf of the Steelcase Foundation, I encourage you to look broadly and deeply at the responses you receive in support of advancing early childhood initiatives, and hope that you will consider these to be of great interest and concern on both sides of the state.

There is a groundswell of support – in the business, philanthropic, education and government sectors –based upon a growing understanding of the impact that can be made on personal, local, regional, state, and business levels through a highly collaborative and directed effort to improve early childhood learning and well-being.

The Governor's leadership in this area is exemplary. Through the Michigan Department of Education's Office of Great Start in a relatively short time, the state has:

- Invested an additional \$65 million to the Great Start Readiness program. This unprecedented dedication of state funds to early childhood is the

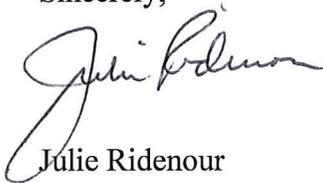
Mr. Brandon Samuel
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- largest preschool funding increase in the country, and is reflective of the broad base of support both inside and outside government for this effort.
- To that point, the Office of Great Start has gathered nearly 1,400 parents, service providers, early childhood experts, and advocates from across the state to create a comprehensive early learning and development plan for Michigan.
 - Michigan has worked to coordinate early learning and development services across multiple departments, including Education, Human Services, and Community Health.

This Social Impact Bond Initiative directed toward early childhood is a bottom-up payback proposal to help address challenges which will persistently hamper our great state's future unless we address the needs.

I strongly encourage you to support the SIB RFI of the Starfish Family Service – or any of the other Early Childhood responses you receive. The children, families, businesses, and people of the Great State of Michigan all will benefit from such an initiative.

Sincerely,



Julie Ridenour
President, Steelcase Foundation