

Social Impact Investing

- Pay for Performance Contract Based on Economic Value
- Value Creation= Incremental Taxes +Cost Savings
- Capital Provided by Private Investors

Social Impact Investing

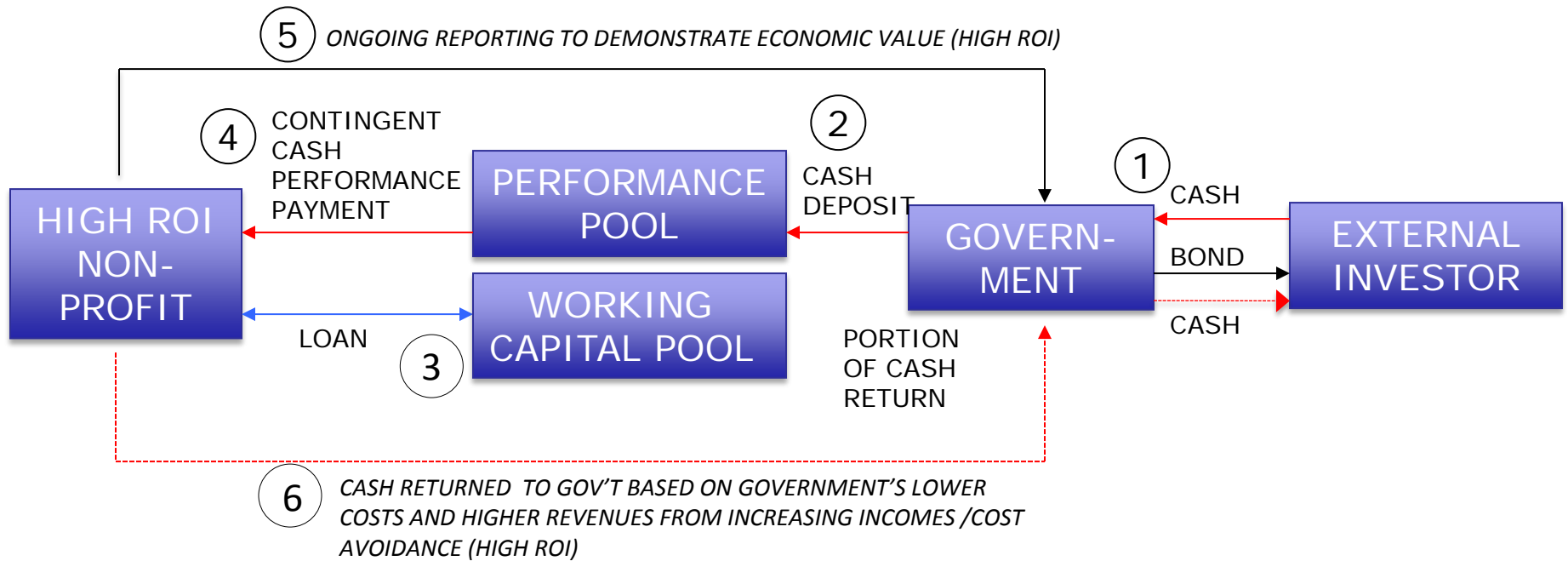
Two Models Have Emerged:

- Social Impact Bonds (SIBs) In 7 Municipalities
- Human Capital Performance Bonds (HUCAPs) In Minnesota

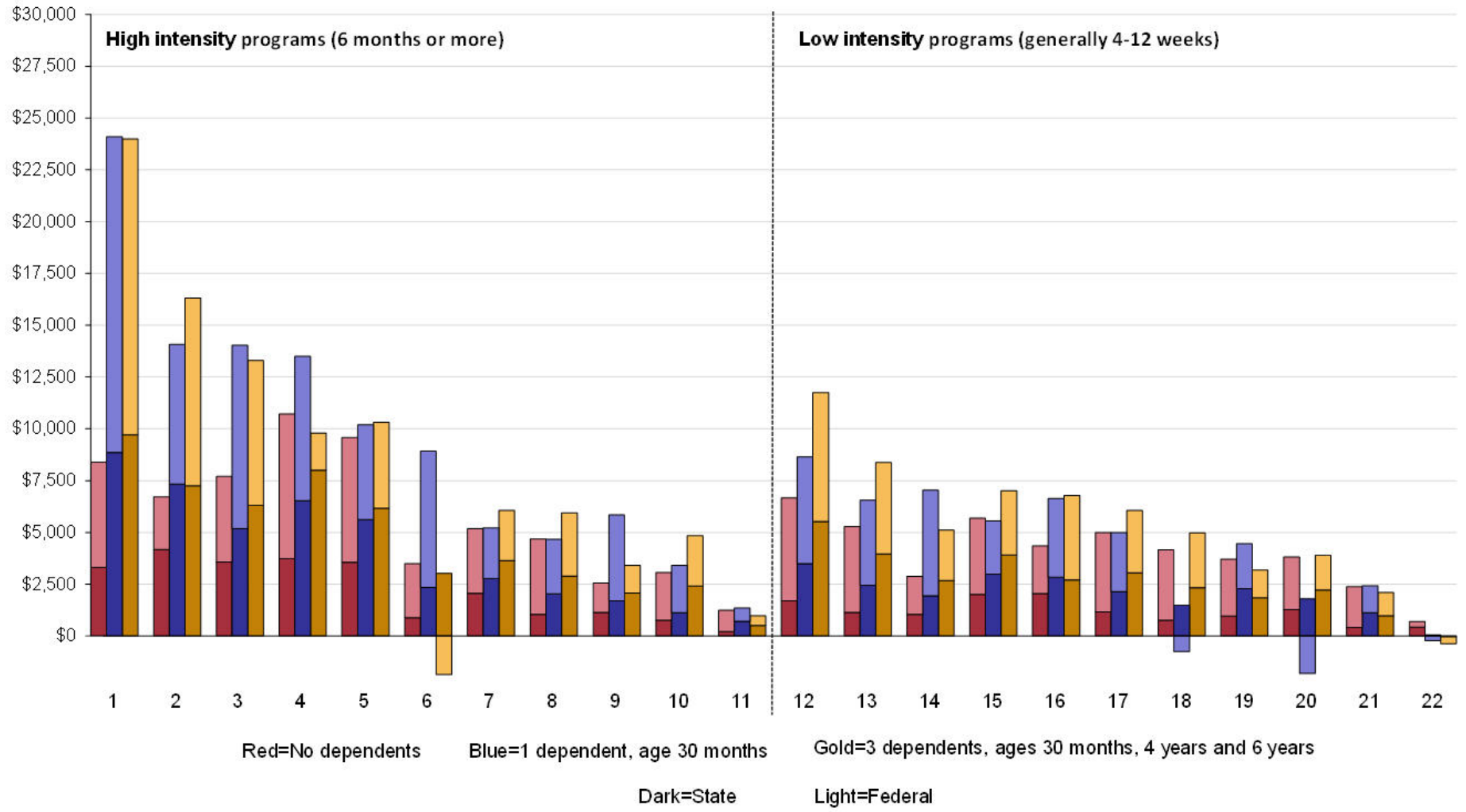
HUCAP Precedence

- “Pay for Performance” contract with Twin Cities RISE! by Mn. Legislature in 1997
- Based on economic value established by higher tax receipts and lower government subsidies from increased incomes
- \$10,000 increase in income assumed \$3,800 cash value/yr. and p.v. of \$31,000 (actual is \$50,000)
- TCR! paid \$9k at placement, \$9k at retention
- State’s 15 year ROI= 671% (\$36.2M benefit for \$4.7M investment)

Human Capital Performance Bond Structure



Computed average per placement savings and benefits in first year after job placements (cash flows) for Minnesota and Federal government, for three dependent-child scenarios, sorted by level of program intensity, including crime-related cost savings



Social Impact Investing

Benefits

- Completely New Source of Capital
- Measurable Outcomes
- Shifts from Cost to Value Creation
- Breaks “Silo” Budgeting
- Invests for highest long-term return
- Encourages Interventions with Most Difficult Clients
- Pilot for Appropriation Action

What’s Needed

- Champion
- Identify Outcomes not Outputs
- Monetize outcomes based on new Revenue and Cost Savings
- Refined Measurement and Accounting Systems
- Research Design
- Federal Waiver Authority to Share Benefits