

**Task Force on Public-private Partnerships to Support Public Education
127th Maine Legislature (Resolve 2015, Chapter 89)**

Meeting Summary

September 22, 2016

Cross State Office Building, Room 202

Members present: Sen. Kimberly Rosen, Rep. Teresa Pierce, Rep. Matthew Pouliot, Laura Buxbaum, Jim Geary, Erika Stump, Maggie Allen, and Suzan Beaudoin

Members absent: Kim Gore, Lauren Sterling, Edmund Cervone, and James Clair

Staff: Phil McCarthy, Senior Legislative Analyst and Michael O'Brien, Legislative Analyst (Office of Policy and Legal Analysis, Maine Legislature)

1. Call to Order and Introduction of Task Force Members. The meeting convened at approximately 10:05 a.m. The Task Force Chairs, Sen. Rosen and Rep. Pierce, called the meeting to order and asked the members to introduce themselves.

2. Welcome and Opening Remarks. Sen. Rosen and Rep. Pierce, the Task Force Chairs, thanked the members of the task force for their willingness to participate in the review of public-private partnerships to support Maine public education.

Rep. Pouliot explained the origin of the Task Force and proposed intentions over the course of the next task force meetings.

- ❖ Overarching goal is to create funding mechanisms to establish early childhood education programs that can help increase student performance to meet literacy rates by grade 3;
- ❖ We are falling short of the proficiency rates for 3rd grade reading level and there's a tremendous amount of capability to help us improve those rates, but we often run into roadblocks on how to pay for this;
- ❖ Hope we can come up with some ideas that can potentially work as pilot programs and propose statutory authority to enter into these types of "pay for success" agreements; and
- ❖ Important to have a vision to create meaningful and lasting partnerships to assist us with these efforts.

3. Review of Task Force Duties, Procedures and "Housekeeping." Phil McCarthy, staff assistant for the task force, reviewed the statutory duties of the Task Force and the "draft" tentative work plan for completing those duties and producing a final report.

- ❖ Conduct a comprehensive study on performance-based contracting and social impact partnerships for public education;

- ❖ Research the various aspects of the issues related to using performance-based contracting and social impact partnerships to support public education; and
- ❖ Prepare a report with recommendations regarding the viability of implementing performance-based contracting and social impact partnerships with private and governmental entities to support public education.

He also described the certification process and travel expense reimbursement procedures for the task force’s legislators and public members. He announced to the members and the public that the task force materials are posted on the Office of Policy & Legal Analysis webpage on the Legislature’s website and can be accessed by members and the public at the following link to the task force webpage: <http://legislature.maine.gov/legis/opla/educationpartnerships.htm>.

4. Future Meeting Dates. The Task Force Chairs and Rep. Pouliot proposed to invite all of the Task Force members to submit their availability for scheduling the next three (3) meetings; and they directed the staff to distribute a calendar to members and asked members to list the dates they were not available on the calendar. The members who were present at the meeting indicated their availability and the staff will also distribute the calendar to members who were not present to make sure they provided their availability as soon as possible.

5. Briefings and Discussions (Q&A) of “Pay for Success in Education,” including Overview of Other State Models and the Potential Support Available in Maine.

5.1 Presentation: “An Examination of Using Social Impact Bonds to Fund Education.”

Erika Stump, Task Force member and Research Associate at the Center for Education Policy, Applied Research and Evaluation at the University of Southern Maine, presented an overview of the January 2016 report produced by the Maine Education Policy Research Institute (MEPRI) for the Maine Legislature’s Education Committee. Here are brief notes related to the briefing and discussion.

- ❖ At this point, mostly ground-laying work is being done by states for “pay for success” in education;
- ❖ States need statutory authority to enter into contracts; and need steady funding sources (dedicated funds);
- ❖ Briefed the task force on recent developments included in the Fall 2016 “update” sheet;
- ❖ Maine needs to conduct a feasibility study and establish a potential pilot study; and
- ❖ Suggestion that the task force review legislation that has already been passed in other states to gain statutory authority (as a model for Maine) – if the task force intends to go in that direction.

Discussion: A question was asked regarding whether Maine can set up a dedicated fund using federal grant money. Dr. Stump replied that the task force should examine the federal grant specifics more closely, but expect that the federal grant money could be used to help develop projects (but not to fund the projects themselves).

A task force member indicated that she would like any legislation proposed by the task force to be broad enough to include non-education issues and projects as well as education issues.

5.2 Presentation: “Pay for Success Models and Projects in Other States and Jurisdictions.”

Jeffrey Liebman, Malcolm Wiener Professor of Public Policy, Harvard Kennedy School (via conference call); and Rob Koenig, Director of Strategy and Operations, Government Performance Lab, Harvard Kennedy School (in person), presented slides on the work that the Government Performance Lab has conducted with more than 30 jurisdictions. Here are brief notes related to the briefing and discussion.

- ❖ Explanation of principles of “Pay for Success” models and key benefits (see slides on website);
- ❖ These funding models allow for experimentation before getting into a budget line; states get to wait to see that a model will be successful before fully implementing it statewide;
- ❖ Review of the growth in launches of “Pay for Success” (PFS) projects around the U.S. (one in 2012, one in 2013, four in 2014, two in 2015, and approximately eight in 2016 & 2017);
- ❖ Key inquiries for states include how fast they can find a broader base of investors;
- ❖ Clarified that it is important to have a project developed before the legislature is (typically) willing to support the PFS authorizing legislation; and suggestion made that the legislature apply this to a top priority social problem;
- ❖ These projects basically offer equity risk and bond returns; and
- ❖ These investments are philanthropic in nature; and investors must care about helping the community.

Discussion: A question was asked regarding a description of what the PFS model would look like in the context of pre-kindergarten initiatives? Professor Liebman replied it is likely an opportunity to show (using a certain percentage of the population) that these programs have value and are worth fully funding. He suggested the State choose a small population and prove we can really move the dial (even if it was just at one elementary school).

A question was asked related to how small is “too small” for one of these projects. Professor Liebman replied it we’ll need to make it worthwhile for up-front transaction costs and also make it large enough to ensure that the programs work.

5.3 Presentation: “Introduction to Social Finance and the Intermediary Role in Pay for Success.”

Anna Fogel, Director, Social Finance U.S., (via conference call) presented slides on the work that the Social Finance teams in Boston, MA have conducted. Here are brief notes related to the briefing and discussion.

- ❖ Explanation of the roles of third-party service providers for public-private partners in “Pay for Success” projects (see slides on website);
- ❖ Described the intermediary roles of Social Finance teams that cooperate and move forward between government and social service fields;
- ❖ Social Finance provides role for a PFS deal with Connecticut Department of Children and Families; and they also indicated they are engaged in great early childhood education projects in Utah, Chicago, and New York; and
- ❖ Proposed that the task force should find a policy area that really matters to Maine.

Discussion: A question was asked regarding who pays for the intermediaries. Anna Fogel replied that there are various ways to fund the work of intermediaries; and often times both states and localities pay, but that funding can be helped by federal grants and other partners.

A question was asked about whether Social Finances’ PFS projects have goals for saving money and do they have research on money saved. Anna Fogel replied that they work with state and federal funding and with foundations that pay for feasibility studies. As a non-profit, they subsidize their work with government agencies; and, in terms of transaction structuring, they incorporate cost of transaction structuring including intermediary costs, legal services, and evaluator costs. Some entities provide grant dollars for structures and a range of options; the total costs of projects are transparent, so it is possible to look at costs and outcome improvement results.

5.4 Presentation: “Foundation Partners’ Interests in “Pay for Success” Projects for Education in Maine.” Liza McFadden, President and CEO, Barbara Bush Foundation for Family Literacy; and Craig Denekas, President and CEO, Libra Foundation, provided perspectives on foundation partners’ interests in “Pay for Success” projects for education in Maine. Here are brief notes related to the briefing and discussion.

- ❖ President McFadden described the details of the Barbara Bush Foundation for Family Literacy (see handouts on website); the foundation is interested in the bookends (early childhood literacy and adult literacy); and may be able to help with up-front costs of a Maine “Pay for Success” program if it is in the literacy realm;
- ❖ President Denekas presented background information on the Libra Foundation, including a unique program called “Raising Readers” that Maine has already had in place for many years;
- ❖ “Raising Readers” program provided books into homes where children (0-5) didn’t have books; it is public-private partnership, including health systems and private philanthropies, hospitals, doctors and midwives for newborns and 0-5 children; and
- ❖ Both foundations agree that engaging in a PFS public-private partnership focused on a literacy concept is a good one for Maine.

6. Task Force Members' Discussion of Next Steps and Requests for Information. The following comments were made by Task Force members following the presentations described above.

- ❖ Task Force members should come up with some ideas for potential projects and top priorities for a “Pay for Success” program; and your ideas should be shared at the next meeting;
- ❖ The Maine Department of Education should provide a list of long-term education goals;
- ❖ At the next meeting, task force members should identify and discuss where the State is not hitting our education targets, (e.g., where are we lagging behind national averages);
- ❖ At the next meeting, the task force should look at the area of special needs services and the increased costs related to those services;
- ❖ At the next meeting, the task force should find out more about the challenges of Utah’s “Pay for Success” model and discover what went wrong so we can learn lessons; and
- ❖ The task force should be provided with information on other state’s that have statutes that authorize “Pay for Success” projects.

7. Meeting adjourned at 1:20 p.m.