Quality early childhood education is an essential building block of academic success. This is especially true for children in low-income families and children learning two languages, who stand to gain the most from these programs. But current funding levels for public prekindergarten (pre-K) and other accessible options are not sufficient. One promising new model for funding is pay for success (PFS). PFS focuses on improving outcomes and measuring the impact of change. In January 2016, Legacy Early College, or Legacy, in Greenville, South Carolina, began to explore the feasibility of using a PFS approach to fund their early childhood education program. This brief discusses challenges and lessons learned from that process.

PFS, also known as social impact bonds, began in the United States in 2012. PFS supports programs that work by breaking from business as usual. Typically, public dollars directly fund programs through state and local expenditures and grants, but often, not much information is available on the effectiveness of the program and ultimate impact of the government funds. This can frustrate public agencies that are strapped for cash and always in search of what works. Models that withhold government payment to programs until outcomes thresholds are met are often unrealistic for service providers that cannot operate without capital.

The PFS model shifts financial risk from the traditional funder—usually a government—to a new investor that provides up-front capital to fund the program. If an independent evaluation shows that the program achieved agreed-upon outcomes, then the investment is repaid by the traditional funder. If not,
the investor takes the loss. In practice, this model has many variations that involve multiple funders, end payors, and repayment models.

Although just 2 of the first 25 PFS projects launched in the US were in early childhood education (the Utah High-Quality Preschool Program and the Child-Parent Center in Chicago), these projects have proven innovative and have demonstrated the viability of using PFS in this area. In part because of these two projects, the US Department of Education (ED) committed resources to exploring PFS for preschool in states, localities, and schools.

In August 2016, ED solicited applications for PFS feasibility studies. The goal was to determine the viability of using PFS to expand and enhance preschool programs and describe the potential outcome measures that are appropriate for evaluation. ED awarded a total of just over $3 million for new grants up to 30 months for eight state, local, and school providers to conduct feasibility studies. None of the grantees had previously conducted a feasibility study to determine the viability of using a PFS approach to launch, expand, or improve an early childhood education intervention.

BOX 1
Legacy’s Unique Circumstances Compared with Other Early Childhood Education PFS Grantees

- **Opportunities**
  - Legacy is attempting to launch a new pre-K program, so they can select curricula, assessments, staff, and other programmatic inputs best suited to meet their goals within a PFS framework.
  - Legacy is a small program, which allows it to be agile in understanding and adapting to their families’ needs, the quality of instruction, student data, and other program improvements.
  - Legacy has a proven model in K–12 education focused on academics, physical health, and college preparation. Aspects of this already-successful program (e.g., data systems and support staff) can be incorporated into the pre-K program and create a longer pipeline focused on college success.

- **Challenges**
  - Legacy does not yet have a building for the pre-K program because it is still working on financing and construction for the physical space.
  - Legacy does not currently have enough staff, including teachers, that have experience with pre-K to fill all its staffing needs.
  - Legacy faces a tall task in developing and rolling out a program while juggling other PFS priorities, including attracting and working with investors to support a new program.
Legacy received an ED grant and focused on nine key indicators to determine feasibility:

1. Impact outcomes with evidence
2. Outcome measurement
3. Baselines for target population
4. Impact on outcomes
5. Costs and benefits
6. Service provider assessment
7. Expansion plan
8. Project funders or investors
9. Project outcome payors

Legacy is unique among the eight ED PFS feasibility grantees. It is the only school-level grantee among a mix of state and local agencies and is the first charter school to pursue PFS for early childhood education. All other grantees focused on examining the PFS feasibility of existing early childhood education programs, but Legacy was looking to create a new program. This led to unique challenges for Legacy’s PFS exploration within the ED PFS grantee cohort.

Background

Legacy Early College

Legacy is a K–12 early college charter school located in Greenville, South Carolina, that opened in 2010. The school served more than 1,312 students across K5–12 in the 2016–17 school year, including 300 dual-language learners, on two campuses. Legacy’s model combines academic excellence, nutrition, and fitness.¹

As an early college charter school, Legacy focuses on high school graduation and college enrollment and completion. More than half of Legacy students live below the federal poverty level, 74 percent of students are eligible for free lunch, and 100 percent of students receive free meals under the community eligibility provision.² Legacy’s mission is “to offer a quality, rigorous, and relevant educational program leading to college graduation and empowering underserved urban students to become productive, fit, principled citizens in a changing society,” with a goal of every student graduating from college.³ In 2017–18, the graduation rate at Legacy was 85.7 percent, higher than the South Carolina Public Charter School District (63.5 percent), Greenville Public Schools (83.6 percent), and the state (81 percent).⁴ In fall 2016, 76.6 percent of the graduating class was enrolled in a two- or four-year college or technical college pursuing an associate’s degree, certificate, or diploma.⁵
Legacy pursued the PFS feasibility award because staff there perceived a lack of quality early childhood education in the community and wanted to help fill that gap. Legacy staff saw that their kindergartners and early elementary students came to school below grade level and in need of support. They wanted to change this by building a three- and four-year-old pre-K program (also known as 3K and 4K) consistent with their model and ethos.

**PFS Partnerships**

As part of their ED grant, Legacy engaged with two important partners. First, Legacy included the Institute for Child Success (ICS) as their PFS intermediary partner. ICS is located in Greenville and focuses on early childhood and PFS in their work. Legacy also partnered with the Appletree Institute for Education Innovation, or Appletree, to implement their instructional model at Legacy. Appletree, located in Washington, DC, developed Every Child Ready, an evidence-based early learning instructional model that is currently used in 22 schools serving more than 2000 students across Washington, DC, and New York City. AppleTree is positively regarded in the early education community. Specifically, AppleTree uses innovative technology to support personalized teaching and learning; provides direct and indirect services to multiple tier-one (the highest performing) schools in Washington, DC; operates an evidence-based teacher residency program that is producing encouraging results; and maintains a variety of forward-looking research partnerships with respected partners in social-emotional development and challenging behaviors. AppleTree also conducted a successful ED Investing in Innovation project and recently completed a strategic evidence plan.

The Urban Institute, or Urban, joined the partnership with Legacy to support evaluation efforts for its program. The initial goal of this work was to develop a rigorous and feasible evaluation design that could support Legacy’s use of PFS funding.

Evaluation takes on new importance within the PFS framework. If an independent evaluation shows that the program achieved agreed-upon outcomes, then the investment is repaid by the traditional funder. If not, the investor takes the loss. Not only does the evaluation determine the effectiveness of the program, but the results trigger payments from one party to another. Thus, the evaluation must be built up front and translated in a way that ensures buy-in from all relevant stakeholders, including payors. For these reasons, a well-informed evaluation design is paramount.

**Evaluation Design Process and Collaboration**

Over the past year and a half, Urban researchers have worked with all partners to help shape a feasibility study and create an evaluation design. This process included the following:

- Discussing goals for the project
  - Initial discussions with Legacy leadership focused on the scope of its partnership with Urban and ironing out details on a memorandum of agreement. ICS was involved in this
initial work as well. Given some unknowns of the project, the scope of work was relatively flexible: the only concrete deliverable was an evaluation design.

- Meeting all partners and exploring their roles on the project
  - Urban researchers were introduced to the other partners on the project, including other staff at Legacy, ICS, and AppleTree. In this initial group meeting, Urban learned more about AppleTree’s Every Child Ready comprehensive instructional model and their plans for assessing Legacy’s capacity to use this model. AppleTree had been collaborating with Legacy before this point, but this was an important reengagement after some staff changes. During this initial meeting, all partners discussed a refined and feasible scope for collaboration in 2018.

- Scanning existing data
  - At the outset, a key aspect of Urban’s role on this project was analyzing data to inform needs, comparison groups, and potential impact. As a first step, Urban discussed different types of data with Legacy, ICS, and AppleTree. Urban looked to acquire data on three- and four-year-old demographics and outcomes in the Legacy zone and in other locations using the AppleTree model. Ultimately, little data were available to analyze. Because Legacy did not have an existing pre-K program, no concrete information on three- and four-year-olds in the program was available. ICS had done a landscape analysis showing some of the need of three- and four-year-olds in Legacy’s neighborhood by using limited data shared by Greenville Public Schools coupled with data from nondistrict sources. South Carolina had just changed its Kindergarten Readiness Assessment as well, so no reliable data from Legacy on kindergarten readiness were available either. The team also explored the possibility of using data from existing AppleTree programs but ultimately determined that these programs were not comparable to Legacy, so their data should not be used.

- Attending the readiness check
  - Before AppleTree opens any of its schools or programs, it conducts a thorough readiness check, known as a priority planning process. This readiness check includes analyzing data, observing classrooms, surveying parents, and interviewing teachers and leaders. Before Legacy, AppleTree had always conducted this process with existing pre-K classrooms. But Legacy only has kindergarten classrooms, so this step focused on those. A member of the Urban team attended the readiness check as an observer. AppleTree reported results from this process to Legacy, ICS, and Urban partners.

- Exploring outcomes, measures, and evaluation design
  - Urban explored different evaluation design options that met the standards of evidence prioritized by ED, aligned with past early childhood education projects funded through PFS, and fit the unique circumstances of Legacy. Urban then shifted focus to exploring norm- and criterion-referenced early childhood assessments appropriate for measuring child
outcomes in the domain of kindergarten readiness and sought out publicly available data to assess suitable benchmarks. Urban shared this information with partners through outlines and phone calls.

- Developing an evaluation design plan for a PFS-funded program
  - Based on early input from ICS, Legacy, and AppleTree, Urban moved from an outline to an evaluation plan. The full evaluation plan includes background information on early childhood education, PFS, Legacy, partnerships, implementation study design, options for evaluation design for PFS, outcome measures, timeline, budget, and recommendations for moving forward. The evaluation plan includes two payment outcomes: kindergarten readiness and physical activity. The use of physical activity for PFS is new, but it matches the overall vision and goals of Legacy in focusing on education and health. The Urban team also explored the use of third-grade reading scores as a key outcome. Other PFS studies have used third-grade reading scores as a metric; the measure can help show that early childhood gains have not faded over time, an unfortunate reality common to early childhood education programming. The time line of the initial evaluation made third-grade reading scores difficult to include, but Urban recommended including this outcome later on. All partners provided comments on the evaluation plan, and Urban completed additional research and held conversations with key experts to refine the design.

- Developing an evaluation design plan for a traditionally funded program
  - Legacy is also interested in exploring philanthropic and private funding options that do not use a PFS structure. A different funding structure would open new options on outcomes, evaluation design, and budget. Urban has developed an alternative evaluation design plan that uses a quasi-experimental design and leverages a comparison group to strengthen findings on impact. This new evaluation design also explores new outcomes and revised cost estimates.

- Supporting feasibility efforts
  - Throughout the project, the Urban team has worked beyond the evaluation design to help support ICS and Legacy in conducting the feasibility study. Our work has included helping build relationships, discussing planning and next steps, streamlining communication, and contributing to interim feasibility products and the final feasibility report to ED. The Urban team has participated in stakeholder calls and emails and provided insights on potential outcome payors and partners based on experience with PFS, early childhood education, and charter schools.

- Briefing the partners
  - The Urban team is planning to brief Legacy, ICS, and partners at an in-person meeting in Greenville in mid-2019. During this meeting, Urban will present the original evaluation design for a PFS project as well as an alternative plan for non-PFS funding.
Lessons Learned

Urban’s experience working on the Legacy PFS ECE project has yielded four key lessons.

1. The evaluation team needs to be fully immersed in all aspects of project development in the feasibility stage to accurately understand the needs and strengths of all partners and to help shape early decisions that affect evaluability.

   Learning about a new program and a new initiative can involve a steep learning curve. This becomes even more challenging if an evaluator comes into a project partway through. Fortunately, Urban came into this partnership at the right time: the very beginning. Through this experience, our team could immerse ourselves in Legacy’s current and future work, Appletree’s Every Child Ready model, and ICS's bridging role in making all of this into a PFS feasibility package. Opportunities such as attending the readiness check were essential to our learning. The Urban team was also able to embed information about PFS and evaluation into planning sessions and conversations, making the collaboration mutually beneficial.

   Given the complexity of PFS, evaluators must understand all they can about operations, service delivery, financing, and cost-benefit ratios, in addition to the specific programmatic details that inform evaluation. Every piece of information, even if it may seem unrelated at first, can be used to build a deeper understanding of all activities and plans. This knowledge and place at the table as a key partner helped Urban produce a tailored evaluation design that discusses some of the unique opportunities and challenges of Legacy and the PFS approach. More specifically, it led Urban to develop an implementation evaluation and to explore and include physical fitness as a key outcome based on existing efforts at Legacy. Urban also sought to build flexibility into the evaluation design so that it would remain relevant for program stakeholders, including evaluators. And Urban created a menu of evaluation design options and presented the costs and benefits of each, along with suggestions for considering future contextual factors.

2. Developing an early childhood education program and exploring PFS simultaneously can be more resource intensive and complex than anticipated.

   Legacy has an excellent reputation in the Greenville community. Their K–12 programs provide academic rigor and opportunities for physical activity and fitness that are unique in their county and state. Despite having an excellent foundation in the K–12 space, Legacy is new to 3K and 4K in many ways. This project showed a learning curve of understanding early childhood education programs and how they differ in important ways from early elementary grades (e.g., adherence to curriculum, play time, teacher recruitment, and professional development).

   Alongside this introduction to early childhood education, Legacy was new to PFS. Legacy staff were committed to learning more about early childhood education and PFS, but they faced a steep learning curve that proved challenging at times. Another key difference between the Legacy project and the other ED grantees was the absence of an early childhood director. For the other grantees, the early childhood director focused on refining program mission and vision, recruitment and outreach, teacher
hiring and professional development, integrating into K–12 systems, and building up toward PFS funding. Without a similar person in place, at times it seemed difficult to pull off such a complex project with so many moving parts.

3. Coordinating among different partners, especially early in a PFS project, is a complex challenge.

As a potential PFS project, there are inherently more partners at the table and more priorities and motivations to juggle than in traditionally funded research. Urban’s work alone on the evaluation design and feasibility phase involved four consistently engaged partners: Urban Institute, ICS, Legacy, and AppleTree. Having four partners working on developing a PFS project can be challenging in the initial phases. Each partner brought their own expertise, which was essential in covering all required topics. But the stakes of PFS, including financial resources and reputation, are high. This means that all partners must be more cautious in making key decisions and moving forward. For example, Urban had to ensure that the evaluation design matched the data capacity of Legacy and that selected outcomes and growth on key measures were achievable. Meanwhile, AppleTree was potentially launching its program in a new space and in a different format than usual. ICS was tasked with packaging all project work and attracting stakeholders and funders, while Legacy put its reputation on the line as a high-quality education provider.

These differing priorities, roles, and responsibilities—along with changing project staff among all partners—sometimes led to lapses in communication. Determining what pieces of information each partner needed to know and what decisions they needed input on was also challenging. Despite these challenges, all partners coalesced around the shared goal of providing high-quality early education to children in the Legacy zone.

4. Access to data on the target population is imperative to best understand all needs and to have all evaluation options at your disposal.

It is important to have current or historical data on the target population to be able to tailor programs and expectations for students. Efforts to access primary data came up short in all scenarios for understandable reasons. AppleTree’s data is not comparable to the proposed sample and structure in Greenville. Greenville Public Schools were not a party to the project’s memoranda of understanding, so they could provide only limited information on current or former pre-K students. Legacy did not share its kindergarten-readiness data because staff there were concerned about data quality and changing assessments over time. As a result, the Urban team was not able to make precise calculations of potential comparison groups and expected outcome results based on previous performance.

Although there were understandable reasons for limited data availability, it still made the work harder in two ways. First, only having limited data for the district made it difficult to substantiate the claim that the Legacy zone and greater Greenville had a need for a new pre-K program. ICS collected good information based on the census regarding the number of children age five and under in the Legacy zone, where the children likely attend pre-K, and information from current and prospective parents. For stakeholders and evaluators, this would have been more precise if there was better information about how children in the Legacy zone already do on kindergarten-readiness tests. Also,
more information on the quality of other programs, curricula, and assessments used would have been helpful. This would strengthen the case for the scarcity of high-quality pre-K opportunities and the need for a new program.

The second challenge of not having primary data comes with setting benchmarks, exploring comparison groups, and setting realistic expectations necessary for an evaluation in PFS. Having primary data would have allowed Urban to delve deeper into expected outcomes and results for the population in the Legacy zone. Based on a lack of data and the projected small size of Legacy’s program, Urban was not able to fully explore the use of quasi-experimental research designs in its original plan. Having data access would have strengthened the program design and would have helped funders better understand the strengths and weaknesses of evaluation design options. Ultimately, Urban used norm-referenced assessments and national benchmarks to set expectations.

Conclusion

The Legacy PFS early childhood education study and evaluation design has provided important information on how to approach PFS development. As the evaluator for this project, Urban took on a larger role than in a typical evaluation design, but one that was necessary and valuable given the PFS context. Through this relationship, Urban learned important lessons on developing a PFS project, partnerships, and evaluation within the PFS framework. Despite challenges, Urban was able to produce a high-quality evaluation design and support a strong feasibility report.

Notes


Errata

This brief was updated on May 21, 2019, to correct the name of one of Legacy’s partners. The organization is the Institute for Child Success, not the Institute for Child Services.
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Acknowledgments

This brief was developed through work funded by the Laura and John Arnold Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at urban.org/fundingprinciples.