

# Massachusetts Pathways to Economic Advancement Pay for Success Project FACT SHEET

The Commonwealth of Massachusetts, Jewish Vocational Service (JVS), and Social Finance are launching the **Massachusetts Pathways to Economic Advancement Project**, a Pay for Success (PFS) initiative that will increase employment opportunities for limited English speakers and help them progress up the economic ladder by providing workforce development services. Pay for Success provides a tool for results-based government financing, leveraging evidence-based nonprofits and private capital to enable government and society to respond to chronic social issues.

The Massachusetts Pathways to Economic Advancement Project is the first PFS project in Massachusetts and the United States to focus exclusively on workforce development. Funding for the project was provided by a dedicated group of community investors, which are detailed below.



## PROJECT OVERVIEW

The Massachusetts Pathways to Economic Advancement Project will deliver services to approximately 2,000 adults in Greater Boston over three years. Vocational English language classes, integrated with job search assistance and coaching, will assist limited English speakers, including documented immigrants and refugees, in making successful transitions to employment, higher wage jobs, and higher education.

At the core of every Pay for Success project is a high-performing service provider. In this project, JVS, one of Greater Boston's largest community-based workforce and adult education providers, will offer four distinct program tracks – Rapid Employment, English for Advancement, Skills Training, and Bridges to College - that draw on its expertise integrating adult education and workforce development.

The Commonwealth will repay investors only if JVS successfully achieves positive outcomes for participants, as defined in the contract. The Project will measure three outcomes among project participants: 1) earnings, 2) successful transitions to higher education, and 3) program engagement.

## PROJECT BACKGROUND

- **Adult English-language learners in the Greater Boston area face significant barriers to employment.**
  - Approximately 230,000 adult English-language learners reside in Greater Boston.
  - Adult English-language learners experience higher rates of unemployment and in Massachusetts earn roughly \$24,000 less annually than individuals with similar credentials who speak English fluently.

- **Greater access to high-quality programs can help adults in need gain language and other skills to achieve economic advancement.** Although Massachusetts has long dedicated funds to address adult learning needs, demand for services remains high.
- **Vocational training for adult English-language learners can help address the skills gap in the Massachusetts economy.** Access to the right services can potentially help limited English speakers increase their earnings and make successful transitions to higher education. The project aims to equip Massachusetts residents with the skills that Commonwealth employers are seeking.
- **The Massachusetts Pathways to Economic Advancement Project will provide eligible adults with targeted vocational English-language classes, occupational-skills training, and college-transition programming.** JVS provides a suite of programs that combine evidence-based practices with more than 20 years of on-the-ground experience integrating contextualized English instruction, adult basic education and preparation for job readiness and advancement.
- **JVS will offer four distinct program tracks to accommodate varying language levels, personal resources, employment objectives, and educational goals among program participants.** Rapid Employment provides vocational English and job placement services to adults, primarily refugees, who are looking to secure a first job, immediately; English for Advancement is a more intensive program for higher level English speakers seeking employment or job advancement; Skills Training facilitates job placement in the healthcare or hospitality sector; and Bridges to College will support individuals with high school equivalency seeking to transition into higher education.
- **Social Finance raised \$12.43 million from 40 investors including financial institutions, donor advised funds, individuals, and foundations, to fund JVS services.** Prudential Financial, Inc., in collaboration with Maycomb Capital, provided nearly 50% of total investment capital. Bank of America Merrill Lynch acted as the placement agent for certain qualified high net worth and institutional investors. Other investors providing critical early support include Living Cities Blended Catalyst Fund and Combined Jewish Philanthropies Donor Advised Funds. Additional information on investors below.
- **Project development support was also provided through a 2015 competitive grant from the Social Innovation Fund,** a program of the Corporation for National and Community Service (CNCS), through Nonprofit Finance Fund's Transaction Structuring competition.
- **The returns investors will receive on this Project are dependent upon the achievement of agreed-upon outcome metrics.** Outcomes will be measured on a quarterly basis, and success payments will be made quarterly. To the extent that outcomes are met as measured by the evaluator, the Commonwealth will make up to \$15 million in success payments. If the highest level of outcomes is not met, success payments to investors may be reduced and if no outcomes are produced investors may face full losses.
- **JVS is paid for the services they have agreed to provide as part of the project** – their payments are not contingent on client outcomes, although they will be held to certain enrollment requirements. JVS and Social Finance are both eligible for a success fee, paid only at outstanding levels of performance in the project.
- **Massachusetts and JVS will receive rigorous, data driven feedback and participant outcomes to inform public policy and program design broadly applicable to future services.**

## PAY FOR SUCCESS OVERVIEW

Pay for Success (PFS) projects provide a tool for results-based government financing, leveraging private capital to fund experienced service providers and enable government and society to respond to chronic social issues.

- **PFS is a public-private partnership that funds social services through a performance-based contract.** Many high-performing service providers do not have access to the funding needed to scale-up their services. In addition, government support for social programs is not always tied to results.

- **PFS helps address these challenges by engaging impact investors to cover the upfront costs and take on the risks of scaling promising programs, and establishing performance goals that allow government, impact investors, and project partners to measure outcomes and track success.** If, following an independent evaluation, the program achieves predetermined outcomes that benefit society and generate value for government, then government will make outcomes payments to investors. However, the government pays only at the level of outcomes achieved.
- **The first Pay for Success project launched in Peterborough, U.K. in 2010. As of June 2017 there are more than 70 Pay for Success projects in 18 countries, with 17 projects in the U.S. and three in Massachusetts.**
- **PFS projects in the United States have addressed a range of social issues,** including recidivism, juvenile justice, homelessness, child welfare, maternal and children’s health, and education.
- **The Massachusetts Pathways to Economic Advancement Project is the third PFS project in Massachusetts and the first in the nation to focus exclusively on workforce development.** Massachusetts has been at the forefront of the PFS field since 2012 when it became the first state in the nation to issue a competitive procurement for services using a PFS structure. In 2014, it launched a PFS project to improve outcomes for young men exiting the juvenile justice system and a PFS project to address chronic homelessness.
- **Harvard Kennedy School Government Performance Lab:** Massachusetts’ leadership in the PFS field has been supported by pro bono technical assistance from the Harvard Kennedy School Government Performance Lab. The HKS Government Performance Lab has been providing technical assistance to Massachusetts since 2011, including full-time GPL staff to support the Commonwealth in developing and launching three of the nation’s 17 Pay for Success Projects.

## PROJECT PARTNERS



**Commonwealth of Massachusetts.** The Executive Office for Administration and Finance will serve as lead agency and outcomes payor for the Massachusetts Pathways to Economic Advancement Project. The Executive Office of Labor and Workforce Development and Executive Office of Education will provide administrative data and ongoing support to inform outcomes measurement for the project.



SKILLS . JOBS . CAREERS

**Jewish Vocational Service (JVS)** is a 501(c)(3) nonprofit, nonsectarian organization founded in 1938. JVS serves more than 18,000 individuals annually, and is one of the largest community-based providers of adult education and workforce development services in Greater Boston. JVS’s mission is to empower individuals from diverse communities to find employment and build careers, while partnering with employers to hire, develop, and retain productive workforces. In support of this mission, JVS provides a wide range of adult education, vocational training, job readiness, career counseling, and job placement services, as well as related supportive services.



**Social Finance** is a 501 (c) (3) nonprofit organization dedicated to mobilizing capital to drive social progress. We believe that everyone deserves the opportunity to thrive, and that social impact financing can play a catalytic role in creating these opportunities. We design and manage public-private partnerships that tackle complex social challenges, such as achievement gaps, health disparities, and prisoner recidivism. As a Pay for Success intermediary, Social Finance helps drive government performance to achieve greater impact and builds the field through research and advocacy. Social Finance’s sister organization Social Finance UK pioneered the first Social Impact Bond in the world in 2010.



**Economic Mobility Corporation** (Mobility) is a national nonprofit organization devoted to evaluating and developing promising policies and programs that support the economic advancement of low-income individuals. Mobility’s senior staff members have 20 years of experience conducting research on workforce development programs, both at Mobility and previously at Public/Private Ventures. Mobility’s principals are experienced in evaluating the

target population, the workforce development landscape in the Greater Boston area, and administrative wage data that will be used to measure outcomes for this Project.



**Harvard Kennedy School Government Performance Lab** (GPL) conducts research on how governments can improve the results they achieve for their citizens. An important part of this research model involves providing pro bono technical

assistance to state and local governments. Through this hands-on involvement, the Government Performance Lab gains insights into the barriers that governments face and the solutions that can overcome these barriers. The GPL has provided government-side technical assistance on 10 of the 17 launched PFS projects in the US.



**Jobs for the Future (JFF)** will provide technical assistance on the project, supporting performance management activities related to the implementation of a randomized controlled trial for one of the program tracks during the Project’s first year. JFF is a national nonprofit that works to ensure educational and economic opportunity for all. They develop innovative career pathways, educational resources, public policies that increase college readiness and career success and build a

more highly skilled workforce. With over 30 years of experience, JFF is the national leader in bridging education and work to increase mobility and strengthen our economy.

### PLACEMENT AGENT



**Bank of America Merrill Lynch** acted as the placement agent for certain qualified high net worth and institutional investors. Merrill Lynch Wealth Management is one of the largest wealth management firms with \$2.2 trillion in client balances (as of March 31, 2017) and is committed to bringing innovative and socially-minded opportunities to its clients.

### IMPACT INVESTORS



**Living Cities, Blended Catalyst Fund.** Living Cities harnesses the collective power of 18 of the world’s largest foundations and financial institutions to develop and scale new approaches to improve the lives of low-income people and the cities where they live. The

Blended Catalyst Fund is a \$37 million impact investing debt fund that tests innovative approaches to solving urban problems. The fund combines philanthropic and commercial debt under the premise that both types of capital are needed to support initiatives that achieve better results for low-income people in U.S. cities.



**Prudential Financial, Inc.** is a financial services leader with operations in the United States, Asia, Europe and Latin America. Prudential’s diverse and talented employees are committed to helping individual and institutional customers grow and protect their

wealth through a variety of products and services, including life insurance, annuities, retirement-related services, mutual funds and investment management. In the U.S., Prudential’s iconic Rock symbol has stood for strength, stability, expertise and innovation for more than a century. For more information, please visit <http://www.news.prudential.com/>



**Maycomb Capital, Community Outcomes Fund.** Maycomb Capital is a pioneering impact investing platform that provides financing across asset classes to fund strategies



and enterprises that transform communities. Maycomb is launching the **Community Outcomes Fund** to provide outcomes-based financing, often referred to as pay for success, that matches private capital with local priorities, realigning government programs with proven solutions to social challenges. By harnessing the scale, expertise and risk tolerance of the private sector in service of the public good, Maycomb is demonstrating what's possible with mission-focused, flexible capital.



**Combined Jewish Philanthropies (CJP) Donor Advised Funds** Combined Jewish Philanthropies (CJP), Greater Boston's Jewish Federation, brings together the people, partners and resources to fulfill the most important needs and aspirations of our community. CJP's partnership with philanthropists includes the CJP Donor Advised Fund (DAF) program, through which select donors participated in Massachusetts Pathways to Economic Advancement Pay for Success Project. The CJP DAF program enables donors to streamline and maximize charitable giving by offering convenience and flexibility.



**The Barbara Bush Foundation for Family Literacy** was established in 1989 by first lady Barbara Bush, inspired by her vision of fostering the opportunity for every man, woman and child to secure a better life through literacy. Today, the Foundation is a public charity that remains committed to that vision, working to expand access for the bookends of our education system: early literacy for young children and opportunities for low-literate parents to improve their skills.



**Blue Haven Initiative** is a single-family office dedicated to informed investing for profit and with purpose. With a diversified investment portfolio across asset classes – from traditional equities and fixed-income holdings to private equity and direct investments – Blue Haven invests with high standards to maximize financial performance and accelerate positive social and environmental change. A pioneer in the impact investing space, Blue Haven also develops strategic partnerships to advance more informed investing based on environmental, social and corporate governance (ESG) criteria.



**The Boston Foundation**, Greater Boston's community foundation, is one of the largest community foundations in the nation, with net assets of some \$1 billion. In 2016, the Foundation and its donors paid \$100 million in grants to nonprofit organizations and received gifts of more than \$107 million. The Boston Foundation also serves as a major civic leader, think tank and advocacy organization, commissioning research into the most critical issues of our time and helping to shape public policy designed to advance opportunity for everyone in Greater Boston. For more information about the Boston Foundation, visit [tbf.org](http://tbf.org).



**The Boston Impact Initiative** is a place-based impact investing fund with a focus on economic justice. That means that we invest in opportunity for all people—especially those most oppressed or abandoned by our current economic system—to lead a dignified and productive life.



**ImpactAssets** is a nonprofit financial services firm that increases the flow of capital into investments that deliver financial, social and environmental returns. ImpactAssets provides a donor advised fund, "The Giving Fund," Impact Investing Notes and educational resources to support philanthropists and investors looking to engage in impact investing.



**The Inherent Foundation** invests in social enterprises that improve educational outcomes, promote inclusive capitalism, improve the environment, and support access to healthy food systems. Our investments include market-rate MRIs, below market-rate PRIs, and grants. In all of

our efforts, we seek the best enterprises that have measurable impact while achieving financial sustainability through sound business models. We seek scalable organizations with revenues from diverse sources, including earned revenues. Solving needs that consumers, service providers, or government stakeholders are willing to pay for—along with the pressure to innovate and operate more efficiently—often leads to stronger organizations and better outcomes.



**The Kresge Foundation** is a \$3.6 billion private, national foundation that works to expand opportunities in America's cities through grantmaking and social investing in arts and culture, education, environment, health, human services, and community development in Detroit. In 2015, the Board of Trustees approved 371 grants totaling \$125.2 million, and nine social investment commitments totaling \$20.3 million. For more information, visit [kresge.org](http://kresge.org).

**The Shapiro Foundation** is a Massachusetts-based foundation focused improving outcomes in a number of issue areas, including refugee-related causes locally and internationally.



SORENSEN IMPACT FOUNDATION

**The Sorenson Impact Foundation (SIF)** invests in innovative social enterprises and projects that create and scale sustainable solutions to address societal problems around the world. Over the last decade, SIF has supported social entrepreneurs and governments across five continents and in a variety of different sectors and social issues.

## PROJECT SUPPORT

**CHOATE** **Choate Hall & Stewart LLP** provided legal expertise on structuring the investment entity and the various securities law and non-profit tax issues presented. As one of the nation's leading law firms, Choate's areas of focus include private equity, finance & restructuring, wealth management, real estate, corporate/M&A, high-stakes litigation, life sciences, technology companies and intellectual property, insurance/reinsurance, and government enforcement and compliance.

**Morgan Lewis** **Morgan Lewis** served as pro-bono legal counsel to Jewish Vocational Service in the preparation and negotiation of the PFS project agreements and offering documents, as part of the firm's broader Impact Investment Initiative, which seeks to assist social enterprises, microfinance institutions, and other impact investors. A leading law firm, Morgan Lewis offers over 2,200 lawyers, patent agents, and other specialists in 30 offices internationally, providing comprehensive litigation, transactional, regulatory, IP, and labor/employment legal services to clients of all sizes. For more information about Morgan Lewis, visit [www.morganlewis.com](http://www.morganlewis.com).



Fund Services

**UMB Fund Services** is serving as the fiscal agent for the project UMB Fund Services provides a full range of services for alternative investment funds and mutual funds – as well as turnkey solutions for launching a mutual fund, a collective fund, a registered closed-end fund, or an exchange-listed fund. Services include fund accounting, administration, tax, investor services, transfer agency, custody and distribution. The company serves more than 200 client firms with \$191.6 billion in assets as of March 31, 2017. Clients benefit from unparalleled service, leading-edge technology, and the stability of a highly capitalized parent that's been around for 100+ years.