

FOR IMMEDIATE RELEASE

August 2, 2012 No. 285 www.nyc.gov

MAYOR BLOOMBERG, DEPUTY MAYOR GIBBS AND CORRECTIONS COMMISSIONER SCHRIRO ANNOUNCE NATION'S FIRST SOCIAL IMPACT BOND PROGRAM

New Privately Funded Program to Reduce Reincarceration – ABLE – is Part of the City's Comprehensive Young Men's Initiative

Mayor Michael R. Bloomberg, Deputy Mayor for Health and Human Services Linda I. Gibbs and Correction Commissioner Dora B. Schriro today announced that the City will award a contract for the nation's first Social Impact Bond, an innovative way to fund promising new programs at no cost to taxpayers. As part of the Young Men's Initiative, this investment will support a new evidence-based program for young adults on Rikers Island. The program – the Adolescent Behavioral Learning Experience (ABLE) – focuses on personal responsibility education, training and counseling, with the goal of reducing the likelihood of reincarceration. In this new model, private investors fund the intervention through a nonprofit contractor and the government pays the contractor only if the program meets its goals. Goldman Sachs will provide financing, Bloomberg Philanthropies will provide grant support for the effort and MDRC, a leading non-profit, will oversee project implementation.

"New York City is continually seeking innovative new ways to tackle the most entrenched problems, and helping young people who land in jail stay out of trouble when they return home is one of the most difficult – and important – challenges we face," said Mayor Bloomberg. "As the first city in the nation to launch a Social Impact Bond, we are taking our efforts to new levels and we are eager to see the outcome of this groundbreaking initiative."

"We're proud to work with Mayor Bloomberg and his team on this innovative approach to harness private sector financing for important public initiatives," said Lloyd Blankfein, CEO and Chairman of Goldman Sachs. "We believe this investment paves the way for a new type of instrument that enables the public sector to leverage upfront funding from the private sector."

"Social impact bonds create the opportunity for social policy to evolve because they are designed to raise private money to support programs and services that advance the public good and help move the government towards outcome-based contracts," said Deputy Mayor Gibbs.

"Getting young offenders back on track is critical to their futures, and to ours," said Department of Correction Commissioner Schriro. "ABLE affords every adolescent in the department's custody the opportunity to develop the problem-solving and decision-making skills necessary to turn them around. Now, every young adult can use their time in detention to get ready for release and remain successfully in the community."

"We're pleased to be able to use our long-term experience in developing programs for troubled youth to design and implement an evidence-based intervention that has the potential to equip young people with the skills they need to avoid future incarceration and get back on track," said Gordon L. Berlin, President of MDRC. "It is particularly gratifying to be a part of the first test of a potentially powerful new way to invest in social policy innovation."

Currently, nearly 50 percent of adolescents who leave the New York City Department of Correction return within one year. The new program announced today, ABLE, aims to reduce the likelihood of reincarceration by providing education, training and counseling to improve personal responsibility skills, including decision-making and problem-solving. The goal of ABLE is to help more young men stay in school, find and keep a job and decrease their likelihood of future criminal behavior. Detained and sentenced inmates in the custody of the Department of Correction who are between the ages of 16 to 18 will receive the intervention. In these types of services, rigorous studies on youth in juvenile facilities as well as various juvenile probation sites show that participants have a lower rate of recidivism than those who do not participate. The program features group sessions and practical applications to quickly move participants through stages of the program.

Goldman Sachs will fully fund the ABLE program over four years, structuring its investment as a loan to MDRC, a leading social policy demonstration organization based in New York City. MDRC will contract with the City to ensure the successful implementation of the ABLE program and monitor the organizations – the Osborne Association and Friends of the Island Academy – that will deliver the intervention to the adolescents.

As part of its \$30 million commitment to the Young Men's Initiative, Bloomberg Philanthropies will make a \$7.2 million grant to MDRC over that same four-year period, which will be held by MDRC in a guarantee fund to back a portion of Goldman Sachs' loan to MDRC. This effort aligns with the goal of Bloomberg Philanthropies' government innovation program, which is to spread proven and promising ideas among cities. Lessons learned from the nation's first social impact bond will be shared with other jurisdictions who are eager to test the approach.

An independent evaluation, conducted by the Vera Institute of Justice, will assess the rates of reincarceration and determine the program's effectiveness over time. If the program does not meet its targets for reducing reincarceration, the City pays nothing. For Goldman Sachs to break even on its original investment, the program will need to reduce reincarceration by 10%. Similarly, the City's payments to MDRC are based on the success of the program and how much the program reduces reincarceration rates. If the program exceeds the target, the City will have saved substantial money and will pay MDRC on a capped, sliding scale. Because MDRC has agreed to make payments to its investors based on the payments it receives from the City, a successful program would result in a return greater than the original \$9.6 million investment. Increased success – bigger reductions in

reincarceration – will result in greater savings to the City and consequently, greater payments to MDRC.

The program will be incorporated into the regular school day and be offered as a one-hour class throughout the week and during school breaks. The Osborne Association and Friends of Island Academy will deliver the intervention through trained facilitators working with the East River Academy School on Rikers Island as well as Department of Correction staff.

The providers, Osborne Association and Friends of Island Academy, will also deliver recreational activities that reduce idleness, promote team building and afford opportunities for adolescents to practice what they are learning in a variety of settings and circumstances. In addition, community-based aftercare will be provided for the youth who do not complete the curriculum while in jail.

"Vera has a 50-year track record of using an evidence-based approach to measure the efficacy of innovative government policies," said Michael Jacobson, President and Director of the Vera Institute of Justice. "Vera is well-equipped to conduct this evaluation and we are excited to be part of such a ground-breaking initiative."

"We are thrilled to be a part of this innovative financing project and to be able to use our years of expertise to bring much needed services to the youth on Rikers Island," said Elizabeth Gaynes, Executive Director of Osborne Association.

"There has never been a project on this scale delivered at Rikers before. It is a pioneering, transformative approach to achieving positive youth development – and will have significant impact on individual youth, their families and their communities," said Christine Pahigian, the Executive Director of Friends of Island Academy.

The City will also release a request for expression of interest today to get proposals for additional social impact investment projects. For more information or to apply, go to www.nyc.gov.

About The Young Men's Initiative

Announced in August 2011, the Young Men's Initiative is the nation's most comprehensive effort to tackle the broad disparities slowing the advancement of black and Latino young men. Through broad policy changes and agency reforms, a public-private partnership will invest in programs that will connect young men to educational, employment, and mentoring opportunities across more than a dozen city agencies. The Center for Economic Opportunity (CEO), established in 2006 by Mayor Bloomberg to implement innovative ways to reduce poverty in New York City, is responsible for overseeing implementation and evaluation for many of the programs within the Young Men's Initiative. Support for the Initiative is being provided by Open Society Foundations and Bloomberg Philanthropies through grants to the Mayor's Fund to Advance New York City and The Fund for Public Schools.

- 30 -

Contact: Stu Loeser / Samantha Levine (212) 788-2958

Sharman Stein (Corrections)

(212) 788-3339

Stay Connected:

Twitter
Flickr
YouTube