

**Title: A New Kind of Futures Contract for Illinois**

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**Date: October 7, 2013**



The world's first social impact bond, or SIB, was introduced in 2010 to fund innovative social programs that realistically might reduce recidivism by ex-offenders in Peterborough, England, and, with it, the public costs of housing and feeding repeat offenders. Prudently building on the strengths of that initiative, Illinois Gov. Pat Quinn is rolling out SIBs to help solve some of the state's most vexing social problems.

A SIB isn't a traditional bond where investors are guaranteed a fixed return but a contract among a government agency that agrees to pay for improved social outcomes, a private financing intermediary and private investors. SIBs shift the risk of experimenting with promising but untested intervention strategies from government to private capital markets, with public funds expended only after targeted social benefits have been achieved.

Peterborough's problem was daunting: Sixty percent of prisoners serving short-term sentences historically had gone on to re-offend within a year after their release. But policymakers were confident that a solution was within their reach. They attracted private investment to pay experienced social service agencies to provide intensive, multidisciplinary support to short-term prisoners, preparing them to re-enter society and succeed outside the penal system.

The government decided which goals would be supported, but exactly how those goals would be achieved was left to the private sector. It was the investors, through a bond-issuing organization, who ultimately endorsed the allocation of investment proceeds — how much would be invested in job training, drug rehabilitation and other interventions.

If the Peterborough plan eventually shrinks recidivism rates by 7.5 percent or more, the government will repay the investors' capital and share the taxpayers' savings with them, delivering up to a 13 percent return. If the target isn't hit, the investment will have failed and the government will owe the investors nothing.

Illinois' SIB effort was spearheaded by the state's Task Force on Social Innovation, Entrepreneurship and Enterprise — the governor's think tank on social issues, which I am privileged to chair — with support from Harvard University's John F. Kennedy School of Government, the Rockefeller Foundation

and the Aurora-based Dunham Fund. A request for information issued by the Office of Management and Budget on May 13 yielded responses from service providers eager not only to reduce recidivism here but also to create jobs, revitalize communities, improve public health outcomes, curb youth violence, cut high school dropout rates and alleviate poverty.

Now the governor has issued a request for proposals intended to spur better outcomes for Illinois' most at-risk youth — by increasing placement stability and reducing re-arrests for youth in the state's Department of Children and Family Services, and by improving educational achievement and living-wage employment opportunities justice-involved youth most likely to re-offend upon returning to their communities.

Kudos to Mr. Quinn for bringing SIBs to Illinois. May they soon start delivering on their promise.



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