

# “Billion Dollar Bets” to Improve the Performance of Social Service Programs

## Creating Economic Opportunity for Every American

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## PROJECT OVERVIEW

This document is part of a Bridgespan Group research project that focused on the question: *How could a philanthropist make the biggest improvement on social mobility with an investment of \$1 billion?* In answering this question, we have sought to understand “what matters most” for improving social mobility outcomes. To do this, we have drawn from extensive research conducted by leading scholars in the field. We have also outlined a range of tools to assist philanthropists seeking systemic and field-level changes that go well beyond scaling direct service interventions. Using the research and identified tools, we have created an illustrative set of “bets” that provide concrete roadmaps for high-leverage investments of \$1 billion with the potential for sustainable change at scale. (For the full report, please see [“Billion Dollar Bets” to Create Economic Opportunity for Every American.](#))

We identified a list of 15 high-potential bets through which philanthropists could have a significant impact on increasing upward mobility. In identifying these bets, we sought to elevate investments that are particularly timely, suited to the unique role of philanthropy, have the potential to create significantly outsized impact, and, as a package, could truly sum to \$1 billion. From this list, we have chosen to illustrate the following six investments. (For more information on how we selected the six bets, please see [“Overview of Research: ‘Billion Dollar Bets’ to Create Economic Opportunity for Every American.”](#)):

- Support holistic child development from birth through kindergarten
- Establish clear and viable pathways to careers
- Decrease rates of over-criminalization and over-incarceration
- Reduce unintended pregnancies
- Create place-based strategies to ensure access to opportunity across regions
- Build the capacity of social-service delivery agencies to continuously learn and improve

The concept paper below illustrates one of the six bets we have chosen to highlight.

# Invest in the public and nonprofit sectors' ability to test, implement, and continuously improve evidence-based programs and policies

**Concept:** Invest in data infrastructure, human capital, and incentives to support a social-service culture that's focused on evidence-based programs and continuous improvement

## Context

Many of today's public and nonprofit social-service interventions are ineffective and cost-prohibitive. Equally problematic, they provide only incremental improvements in outcomes for low-income and marginalized populations. The problem is exacerbated by a dearth of incentives that encourage social-service agencies to understand problems deeply, experiment with solutions, track data, and rigorously refine approaches over time. As a consequence, many public systems are locked in a state of underperformance that improves only marginally as a result of political pressure. The chronic underperformance of social agencies contributes to the erosion of public trust in government. However, momentum is building around adopting a better way: using data and evidence of effectiveness to sharpen decision-making and the delivery of services.

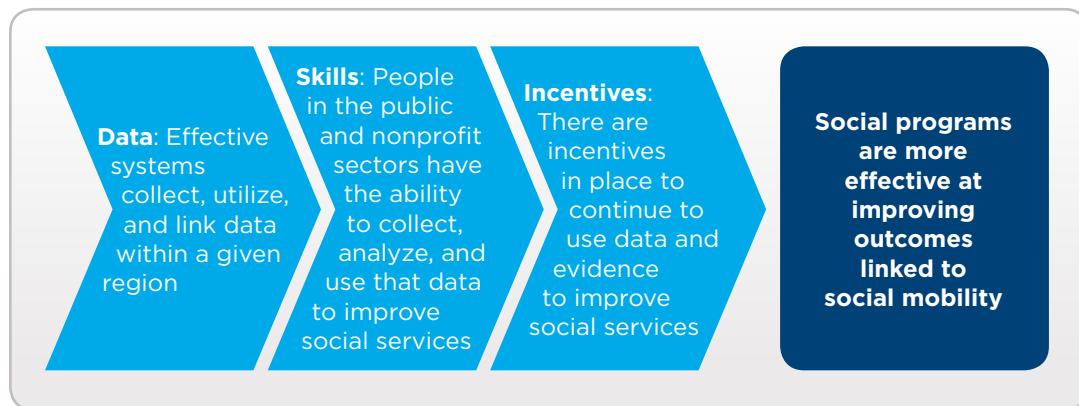
## Why Philanthropy?

Philanthropy is well-suited to tackle this problem. Indeed, many philanthropists already have skin in the game. They often coinvest with government and have a keen interest in ensuring that public dollars are used effectively. Philanthropists can use their unique ability to take on risk by contributing start-up capital, particularly for building data systems and technical assistance infrastructure. They can harmonize joint efforts through their understanding of the contributions and skills provided by each sector. These include data system optimization and additional capital from the private sector; service delivery and implementation support from the social sector; and scale, legitimacy, and authority from the public sector. Capitalizing on their influence as funders, philanthropists can also convene and align participants around research priorities that will help employ data and experimentation in improving service delivery. Finally, philanthropists can provide matching capital to incentivize the continuous improvement of programs and policies.

## Why Now?

For many reasons, now is a powerful moment for philanthropic intervention to support the ongoing use of data to improve social service practices in real time. Tools for tracking and interpreting data are becoming ever more effective. And there is bipartisan appeal in ensuring that scarce public dollars are put to the most efficient use. Yet hundreds of billions of dollars continue to flow into subpar programs. Using those dollars in ways even marginally more effective would have an exponential effect on bettering the lives of low-income people. Today's investments could also support both an increase in data-informed decision making and boost cross-sector collaboration.

## Ideal State



## The Investments<sup>1</sup>

Philanthropists have many ways to increase government use of data to create more effective social programs. For example, a philanthropist oriented towards grassroots movements could support a broad public constituency that demands

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<sup>1</sup> To get to the set of investments in this paper, we reviewed numerous research and policy proposals from the Hamilton Project of the Brookings Institution, *Show Me the Evidence* by Ron Haskins, “Policy Options for Improving Economic Opportunity and Mobility” coauthored by researchers Jared Bernstein and Ben Spielberg at the Center on Budget and Policy Priorities, and Scott Winship at the Manhattan Institute. We also conducted numerous interviews and participated in collaborative working sessions with researchers, practitioners, policymakers, and philanthropists. Included among these individuals were Jon Baron, vice president of Evidence-Based Policy, Laura and John Arnold Foundation; Gordon Berlin, president, MDRC; Jeff Edmonson, managing director, Strive Together; Ron Haskins, senior fellow, Economic Studies and codirector, Center on Children and Families and Budgeting for National Priorities Project, Brookings Institution; Lawrence Katz, Elisabeth Allison professor of Economics, Harvard University; Josh McGee, senior fellow, Manhattan Institute and vice president of Public Accountability, Arnold Foundation; Richard Reeves, senior fellow, Economic Studies and codirector, Center on Children and Families, Brookings Institution; Isabel Sawhill, senior fellow in Economic Studies, Brookings Institution; Kathy Stack, vice president of Evidence-Based Innovation, Arnold Foundation; and Scott Winship, Walter B. Wriston fellow, Manhattan Institute.

greater transparency in public spending. Alternatively, she could fund research firms and think tanks. These would perform rigorous evaluations of social programs and then disseminate their findings across the country. While each represents a fruitful path, the investments that we suggest focus on building government's ability to make evidence-based decisions that lead to high-quality programs and services.

The approach centers on three core areas:

- Build effective systems to collect, utilize, and link data within a region
- Ensure that frontline practitioners and policymakers have the ability to collect, analyze, and use that data to improve social services
- Establish the appropriate incentives to support the continued use of data and evidence to improve social services

### **Build effective systems to collect, utilize, and link data within a region**

#### **Investment #1: Fund an infrastructure to support the use of data for continuous improvement in 15 localities across the country, and deploy key people within organizations and agencies to overcome interagency privacy issues**

The goal here is to build out an infrastructure that can collect and analyze data to measure a program's efficacy. In each of the 15 locations, philanthropists would invest in gathering all available sources of data on key social systems (for example, data on kindergarten readiness, child-care programs, and third-grade reading levels). The philanthropist would then bring in key stakeholders, with a special focus on government, to design ways to connect these data sources to one another (for example, to determine if those participating in state-funded pre-K were more likely to be kindergarten-ready than those who did not participate). Once data systems have been linked and made secure (to avoid privacy concerns), they can yield a baseline of current efforts. Local stakeholders can then measure the effects of program changes on the outcomes that the community cares about. These systems would enable the input, management, analysis, and output of key pieces of data related to effective social programs and policies. This effort would build on the momentum of the Bloomberg Foundation's investments in improving cities' abilities to use data, and in collective impact efforts, such as those sponsored by StriveTogether.

To determine efficacy, philanthropists should support government officials in thoroughly understanding the impacts of their programs. This can be done by funding several research studies with different levels of rigor, depending on the context. For a larger, well-established program, this could take the form of randomized controlled trials (RCTs) or longitudinal studies to determine the long-term effects of the intervention. For a more nascent program or field, an infusion of philanthropic capital could support foundational research, early-stage exploratory research, or design research, the last of which harnesses data to develop solutions. Philanthropic capital could also support efforts to improve

efficacy and effectiveness, as well as scale research to help understand the impact of a solution or program.<sup>2</sup>

Local leadership will need to overcome privacy barriers to connect data systems. For example, student-level data on college graduation rates is aggregated instead of shared on an individual level. Further, if a city is to better understand the efficacy of its high school programs, administrators will have to connect students' high school records with college records. This could be a time-intensive project that faces resistance from privacy advocates. Philanthropists may thus need to fund key researchers to link data without violating privacy concerns. They would work in the same office that houses those data sets to enable the analysis, aggregation, and linkage of data that support continuous improvement of social programs.

**Investment #2: Fund a national hub to support this work across cities and states, and provide technical assistance and coaching in setting up data infrastructure, overcoming privacy barriers, etc.**

While data integration is being tested, philanthropists could invest in a national intermediary that both supports cities and states undertaking this work and contributes to nationwide projects to promote the broader movement. Intermediaries such as Actionable Intelligence for Social Policy and StriveTogether already provide such support on a smaller scale. Philanthropists could build on this momentum by funding a national hub that would:

- Work with individual cities to install the data infrastructure, customizing lessons learned from other places
- Continue to improve understanding of the best ways to support evidence-based policymaking and deploy this understanding to better serve additional cities
- Link local data systems with federal data sets to create a larger evidence base in order to understand which programs are working

**Investment #3: Fund the creation and support of state-based, nonpartisan research organizations and centers that can evaluate programs and inform policy**

To support wider learning about state program efficacy, philanthropists could fund the creation of state-based policy research organizations. To ensure sustainability, such an investment would require upfront partnerships with the state government. Philanthropists would negotiate a commitment from the state for long-term funding in return for philanthropic support, taking the form of either underwriting start-up costs or an endowment through matching funds.

Like the Congressional Budget Office, these organizations would undertake serious research over the period when policies are implemented statewide. This would promote longer timelines and higher standards of evidence than those used today in cities. But if the organization can establish a rigorous, nonpartisan reputation, its research would carry more weight and even rise above changes

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<sup>2</sup> Institute of Education Sciences, US Department of Education, and the National Sciences Foundation, *Common Guidelines for Education Research and Development* (August 2013).

in political leadership. These statewide policy research organizations could also model and estimate the potential effect of various policy changes on outcomes that state and city leadership care about.

### **Ensuring that frontline practitioners and policymakers in the public and nonprofit sectors have the ability to collect, analyze, and use data to improve social services**

While the data infrastructure itself will be key, just as critical will be the skills of those who use this data in decision making. The investments below outline ways to attract the needed human capital.

#### **Investment #4: Within these cities and states, invest in deep training for public and service sector employees on using data**

Philanthropists could invest in training to ensure employees have the ability to harness evidence so as to craft better policies and operate programs more effectively. This training would enable service providers to use data in decision making and for real-time learning. It would also provide leadership training for public sector officials to adopt data-based policymaking and lead change management. Money would go as well to build a pipeline of individuals capable of administering the technological infrastructure and, finally, to hire communications staffs that would highlight new practices and success stories to continue momentum.

This training could be sustainable through a cohort model. Philanthropists could begin by training those involved in the primary area of focus (e.g., early childhood). Those officials would become familiar with the protocols to collect, analyze, and utilize data. They would then help spread the norms within their agencies and among other practitioners in their focus areas. Once this “first generation” of practitioners is successful, additional cohorts would receive training, further embedding these capabilities within institutions.

#### **Investment #5: Fund fellowships and academic programs to cultivate the next generation of leaders nationwide**

Philanthropists could further invest in fellowships and academic programs to inspire and educate the next generation of leaders in data-driven and evidence-based policy. These programs would target young people especially interested in the interpretive role between data analysis and policymaking. While academic programs today train policymakers and data scientists, few do both. This translation capability will be critical to the success of data-driven approaches to policy. Philanthropists could work with academic institutions to establish graduate programs or fellowships through which young people could gain the skills necessary to succeed in implementing and administering data systems to drive government policy and practice. These would not only develop more people with the proper skills but increase the prestige of the field, drawing in more people.

### **Establishing the appropriate incentives to support continued use of data and evidence to improve social services**

Once data infrastructures and skilled people are in place, incentives should be established to reward a focus on data-driven outcomes. In order to overcome

short-term policies that are politically expedient but ultimately do not maximize impact, these incentives will need to be strong. The below investments describe incentives that philanthropists could support.

**Investment #6: Provide funding for organizations that advocate for this kind of federal funding**

Philanthropists could invest in advocates of performance-based rewards. Much momentum already exists across sectors for funding rewards programs that work. Witness the broad support for social impact bonds, in which investors get a return based on the efficacy of the social program in which they have invested. Similarly, tiered funding systems are growing at the federal level and offer more support for programs demonstrating evidence of impact. Philanthropists could expand this movement by creating advocacy organizations committed to pushing for more policies that reward effective programs with increased funding and greater spending flexibility.

**Investment #7: In order to advocate for federal policies that reward data and evidence-driven improvement, fund research about the efficacy of current and past performance-based funding and publish the results**

In order to incentivize local governments to use data in decision making, philanthropists could also fund studies of the improved effectiveness of local governments that approach policymaking in this way. These studies could be carried out by national research organizations such as MDRC and the Urban Institute. Results would be disseminated widely and would help convince more local and state governments to make decisions based on real data.

**Investment #8: Create public-private awards for cities successfully adopting evidence-based practices to incentivize more of this work**

Such awards programs could further incentivize innovation in data-driven decision making. Funded by philanthropists, they would elevate the status of cities and individuals that are creating effective policies, and would provide a national platform for sharing lessons learned. The power of the awards would increase if tied to small funding sums to support these programs.

## Risks Involved

This bet is an ambitious, long-term undertaking that involves several significant risks. The first is that decision makers might refuse to adopt outcomes-based decision processes, despite the investments listed here. Another risk is technological: Philanthropists could over-invest in building out the data systems if service providers and agency workers do not have the knowledge and will to make use of the technology. Another risk is that agencies will be unwilling to share data with each other, due to concerns about privacy, meaning the broad data infrastructure would languish. There's also a risk of spreading the investment across too many regions, thereby preventing any single region from becoming an exemplar. Finally, a major risk is that there will simply not be enough qualified talent to carry the bet through to fruition.

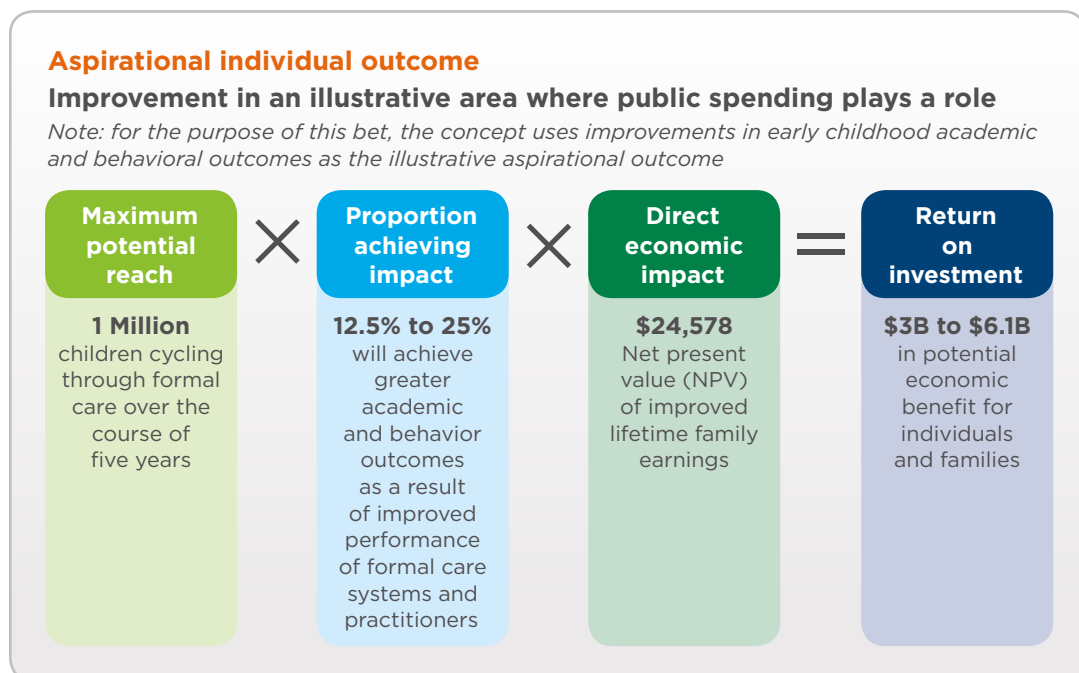


## Projected Impact

The projected impact of this bet is increased efficacy for social services and other government programs attempting to improve social mobility outcomes for low-income individuals. In order to illustrate this, the concept models out what it would look like to improve the delivery of formal early childhood care in the cities covered by the bet. For the purposes of benchmarking outcomes, the concept anchors on a 0.21 standard deviation improvement in academic and behavioral outcomes for children entering kindergarten that was based on a meta-analysis of early childhood interventions. Using estimates from the Social Genome Model, the difference in lifetime family income that follows from a 0.21 standard deviation increase in academic scores (\$15,768) as well as 0.21 standard deviation increase in behavior scores (\$8,810) would lead to a lifetime earnings increase of \$24,578 per person.

The bet assumes that across the 15 cities targeted, 1 million children (ages four and five) will cycle through formal care over the course of five years yet still will not be kindergarten ready. Of those 1 million children, the concept estimates that between 12.5 percent and 25 percent will achieve better academic and behavioral outcomes as a result of an emphasis on using data and evidence to drive government oversight and improvements in formal early childhood care.

If the programs were successful in achieving the target outcome, then **between 125,000 and 250,000 students would benefit from the investments. This would lead to a cumulative increase in lifetime income of between \$3 billion and \$6.1 billion.**



## Breakout of Costs by Investment Area

In order to determine the likely cost of the investments outlined above, we researched applicable benchmark programs and investments. We then multiplied the cost of the benchmarks to represent the scale at which the above recommendations are presented. For this paper, the benchmark programs and investments that were considered included those from Bloomberg Philanthropies' What Works Cities and Mayors Challenge, The MacArthur Foundation's grant for the Actionable Intelligence for Social Policy initiative, the Congressional Budget Office, GuideStar, the Rhode Island Data Sharing Project, Bloomberg Philanthropies' i-Teams, Code for America, America Achieves, MDRC (project costs), the Presidential Innovation Fellows, and the Coalition for Evidence-Based Policy.

Pathway	Investment Area	Estimated Cost
<b>Investing in infrastructure for systems change</b>	Fund a data infrastructure to support the use of data for continuous improvement in 10 to 15 localities across the country, and support the deployment of key people within these organizations and agencies to overcome interagency privacy issues	\$236,250,000
	Fund a national hub to support this work across cities and states, and provide technical assistance and coaching in setting up data infrastructure, overcoming privacy barriers, and addressing other needs	\$73,545,000
	Within these cities and states, invest in deep training for public and service sector employees on the use of data	\$112,500,000
	Fund the creation and support of state-based, nonpartisan research organizations and centers (like the Congressional Budget Office) that can evaluate programs and inform policy	\$114,250,000
	Fund fellowships and academic programs to cultivate the next generation of these leaders nationwide	\$174,535,000
	<b>Shifting incentives</b>	In order to advocate for federal policies that reward data and evidence-driven improvement, fund research about the efficacy of current and past performance-based funding and publish the results
	Provide funding for organizations that advocate for this kind of federal funding	\$206,215,000
	Create public-private awards for cities doing this best to incentivize more of this work	\$75,000,000
<b>TOTAL</b>		<b>\$1,000,000,000</b>

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