# New Opportunities for Milwaukee

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## Introduction: New Opportunities for Milwaukee

2014 marked the 50-year anniversary of the war on poverty. Since 1964, taxpayers spent over $22 trillion to combat poverty.[1] Little, if any, progress has been achieved. The trajectory is not favorable towards the poor and lower middle class and few would argue the federal government has made significant progress to win the war on poverty. The same 50-year-old programs are inflated with additional spending and new programs are consistently introduced, but the effectiveness of the original programs are rarely evaluated. President Dwight Eisenhower famously warned of the buildup of a military industrial complex - for good reason - but few have foreseen a poverty industrial complex. There is a presumption in this nation that all we have to do is appropriate more money to address a problem, but over time we see no correlation between government money spending and the alleviation of poverty. Unfortunately, and ironically, areas that have received the most federal and state funding in the form of welfare have eroded relative to the areas that have received less attention from government.

Two-thirds of the incarcerated African-American men came from six zip codes in Milwaukee and it is no coincidence that those zip codes are also home to the greatest density of failing schools and the highest unemployment in the state.[2] The policies we are advocating for seek to provide new tools to deal with a reality no one should accept. From new and innovative educational models, to free market policies that will allow for greater economic gains, the residents of Milwaukee County deserve better and more opportunities.

There is always a danger of oversimplifying a complicated problem, but there is also value in breaking down a 50-year-old paradigm and questioning the approach from a fresh perspective. We know the current expensive, overly complicated web of government programs are not working. The success stories predominately come from individual members of the community and not-for-profits that are entrenched in these communities that are more judicious with the limited resources they have.

The ideas put forth in this report are about new opportunities. The initiatives in this paper will not cost any taxpayer, at any level of government, a single cent. The ideas represent unleashing individuals, not unleashing government spending. The policies introduced are based on the belief that individuals want to work, as work is part of our human DNA. No one wants to be in poverty and no one wants to be dependent on the government. Race, sex, income, handicap, age or a litany of other characteristics does not change our belief that we were all created equal and that everyone has the ability to contribute something to our community.

Significant commentary has been given to the 50-year-war on poverty. In particular, Wisconsin's Congressman Paul Ryan introduced legislation that addressed similar issues at the federal level. Our approach here is similar. We believe in the policies set forth in this report and will work to enact these policies because we believe they will have a positive impact in our community. However, we also want the ideas to spark a community-wide conversation on poverty and initiate honest conversations on the current state of Wisconsin's most impoverished communities, the real pain felt there, and what we can do different.

We are not under the illusion that this agenda or any government led approach can single-handedly fix a community's problems. Our interest is not only to break down paradigms and try new approaches, but also to continue conversations with the residents of Milwaukee's most impoverished neighborhoods who have our utmost attention. This agenda does not contain the silver bullet, but enables other organizations and individuals new flexibilities and vehicles to explore new approaches.

Milwaukee is increasingly becoming a tale of two cities. The areas of the city surrounding downtown, including the East Side, Third Ward and Bay View just to name a few, are thriving. Businesses of all sizes are present and those businesses are hiring and continuing to invest. There are beautiful parks, the city is relatively safe and there is a robust arts and sports community. Compare the reality of Milwaukee residents living in those neighborhoods to an individual or family living in Milwaukee's inner city. The neighborhoods are not safe, businesses are leaving the neighborhood and there are too many failing schools. The sound of a hammer on nail in downtown Milwaukee means someone is buying a new condo. The sound of hammer on nail in the inner city means another house has been lost to foreclosure.

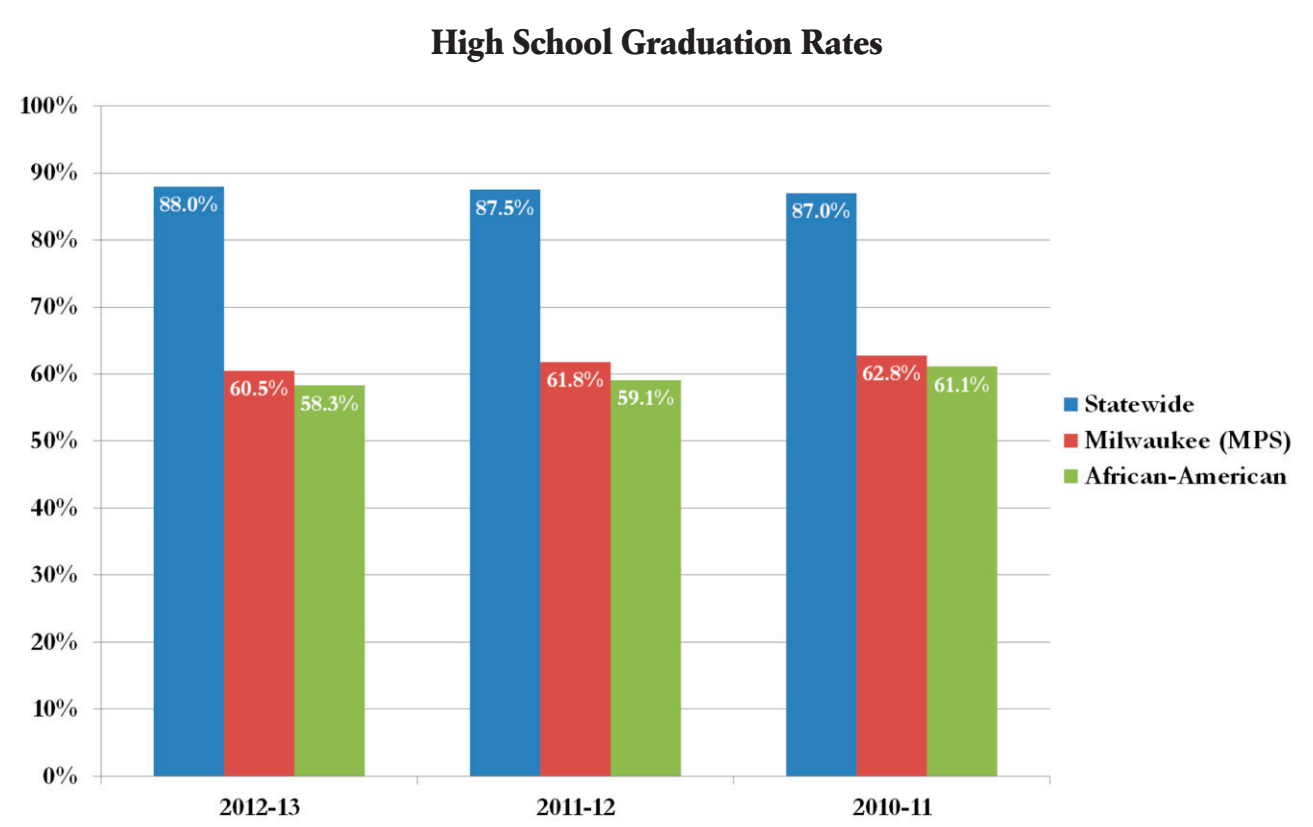
In 2014, we spent hundreds of hours in Milwaukee's inner city. We heard from the community and found common ground. The policies set forth in this package reflect the time spent, outside our own districts, where residents feel let down with the current trajectory of the neighborhoods they love and still believe in.

We believe the whole state can benefit from these policies, but in the interim, the policies are directed to specific zip codes in Milwaukee that have unemployment rates exceeding ten percent *(Appendix I)*. The trajectory in these neighborhoods is appalling and changing the status quo in these neighborhoods is long overdue. The time to act is now and we are anxious to demonstrate that the principles we believe in can have a powerful impact.

# Chapter 1: Empowerment through Education

The civil rights issue of the twenty-first century is education. Education is one of the greatest catalysts in life. Education frees young minds of their present reality and allows them to explore new ideas, places, cultures and values. A well-rounded education provides the foundation of dreams for many young students. Too many schools are failing too many students in Milwaukee. Progress has been made, but with a 60.5 percent four-year high school graduation rate for 2012-13, educators and policymakers have not arrived at a destination.[3] In the past, being a minority in America inhibited an individual from pursuing a promising career and a well-paying job. This reality is an embarrassing one for our great country, fortunately tremendous progress has been made on this injustice since the passage of the Civil Rights Act of 1964. Today, a greater discriminator to escaping poverty is not race, but instead revolves around the ability to obtain a high school diploma. The lack of a quality K-12 education places a young person behind the eight-ball for life.

According to the state's Department of Public Instruction (DPI), the Milwaukee Public School District (MPS) has 47 schools that earn the distinction of "Fails to Meet Expectations" for the 2013-14 school year. Also in 2013, only 60.6 percent of MPS seniors graduated high school. It is even worse for African-American students at 58.3 percent and Hispanic students at 56.4 percent.[4] The system needs to reform now.




Source: http://wisedash.dpi.wi.gov/Dashboard/portalHome.jsp

Fortunately, Milwaukee is innovative with their ability to be a laboratory for experimentation with integration programs, open enrollment and the Milwaukee choice program and charter schools. There have been successes and failures, but overall the competition between schools and school systems is a positive for the community. However, administrators and policymakers need to continue to refine the education model. The ideas set forth represent significant reforms that we believe will have a significant impact.

## Charter School Replication

The expansion of proven, effective charter schools is essential in providing more quality education opportunities for the children in Milwaukee. According to DPI, for the 2013-14 school years there were 242 charter schools authorized in the state with a student enrollment of 48,000. The independent charter schools "2R" account for 23 of the charter schools with a student population of about 9,000.[5] Charter schools were first established in Minnesota in 1991.[6] They were the brainchild of Democrat Senator Ember Reichgott Junge who we had the opportunity to confer with about her transformative concept. The success of charter schools is apparent around the country since their initial experiment and they are championed by Republicans and Democrats alike . Charter schools are public schools, open to all children without any special entrance requirements. Charter schools, as defined nationally, are independent schools that operate outside of the union contract between the school district and teachers union.[7] The charter schools may have an innovative approach to education, like Milwaukee's College Prep Charter Schools or Rocketship Charter Schools. Also, they may be more specifically focused on certain fields of study such as Science Technology Engineering and/or Math (STEM), or preserving aspects of a culture and community like the Hmong Peace Academy.

> *"For years, charter schools have brought new ideas to the work of educating our sons and daughters, and during National Charter Schools Week, we recognize their role in strengthening American education… Our children only get one chance at an education, and charter schools demonstrate what is possible when States, communities, teachers, parents, and students work together."*
>
> **- President Barack Obama**
> **May 7, 2012 - Presidential Proclamation - National Charter Schools Week**

Charter schools are a positive for any community. Similar to the voucher program, their existence applies pressure to traditional public schools to increase their educational delivery system in order to compete.

State law permits the following groups to authorize a charter school in Milwaukee: the Milwaukee Public School Board, the University of Wisconsin (UW)-Milwaukee, Milwaukee Area Technical College (although they have never exercised their authority) and the City of Milwaukee.[8] Granting a license to operate a charter school is a long, complicated process. The procedure should be thorough, but often politics will intervene with the creation of a new school in a neighborhood. It is important that the process is not rushed and that careful consideration is given to ensure the school's plan is solid and that the school operators are reputable. However, the red carpet should be rolled out for charter schools that are high performing.

***Reform: Allow high-performing charter schools to replicate without the approval of a charter school authorizer.***

The criteria for replication is one where a charter school is required to achieve test scores in both math and reading that exceed the test scores of the local public school by ten percent in the two preceding school years. The threshold creates a goal of excellence, which rewards an outstanding school with greater autonomy and a license to continue their successful model in other parts of the city. The privilege of being able to replicate without an authorizer will also provide an attractive incentive for the school's professionals to motivate their team.

## Turnaround Schools

Great things are happening in some Milwaukee schools, but entrenched interests are preventing large-scale reform from taking hold. Thousands of children, representing a significant portion of an entire generation, are victims of low academic achievement and therefore, dependence on government.

In 2005, Hurricane Katrina devastated the city of New Orleans. In particular, the schools were hit with physical damage, students and faculty were displaced and a community was left with deep scars as a result of the devastation. An innovative approach was introduced, out of necessity that has changed the landscape of education. In an effort to open up schools quickly and decentralize power, the state created a new school district that transformed local public schools into charter schools. The change allowed hiring, firing and overall decision making to be made at the local school level. The introduction of new initiatives and governance of the schools enabled a closer alignment to the students and parents. The results of the experiment are encouraging. Before Hurricane Katrina, the high school graduation rate was 54 percent and in 2013 the graduation rate increased to 78 percent. In 2013, 57 percent of students performed at grade level in math and reading which is over a 200 percent increase from the 2005 level of 23 percent proficiency.[9]

As a direct result of New Orleans' success, the state of Tennessee instituted a similar concept where failing schools, disproportionally in the city of Memphis, are taken under control by an entity other than the original school district. Early reports from the new Tennessee experiment are encouraging in their ability to measure the impact of success.

The turnaround school model in Milwaukee would operate outside of the traditional bureaucracy that stymies reform. Drastic changes are needed to reenergize staff and change a culture at the failing schools that are not producing effective results. A turnaround school model is a new proven model to address the underperforming schools in MPS.

> ***Reform: Create a board who will oversee a turnaround school initiative for all schools that fail to meet expectations in the targeted zone. The board will entertain proposals from charter school operators and will award a 5-year charter school authorization to the authorizers that present the most compelling plan.***

## Dual Enrollment Program

With the best of intentions, the K-12 education system pushes nearly all students to pursue a bachelor's degree following high school. Unfortunately, the notion that every student's best interest is served by pursuing a bachelor's degree is without merit. Many careers exist for students to pursue that may be more aligned with their interest and the skills demanded by employers, as well as being more affordable than a traditional four-year college. The dual enrollment program is currently focused on four high demand areas of employment: tool and die, CNC welding/fabrication and information technology-networking. The program is extremely successful in Waukesha County based on reviews by students, parents, employers and educators.

In the previous legislative session funding was allocated to the Wisconsin Technical College System (WTCS) to expand the dual enrollment program to other parts of the state. Secretary Reggie Newson of the Department of Workforce Development (DWD) best sums up the program by saying, "The dual enrollment program offers an opportunity for students to complete high school, earn technical college credits, gain work experience and position themselves for permanent employment through the employer sponsors of the program. In addition, such work-based learning opportunities provide immediate relief for private sector employers facing a skills gap."[10]

> ***Reform: Designate an existing DWD employee as the full-time state coordinator for the dual enrollment program in the targeted areas in order to coordinate with the state's technical colleges, industry and all traditional public, charter and private schools in the targeted areas.***

## Chapter 220 Intradistrict Aid Flexibility

The distinction of Chapter 220 comes from the original placement of the policy within the state statutes. This program began in the 1976 school year with the intent of integrating schools within the City of Milwaukee. In 1979, the U.S District Court for the Eastern District of Wisconsin ordered MPS to ensure that 75 percent of the student body within the school district be racially balanced. The definition the court derived at for racial harmony included a scenario where the district enrolled between 20 and 60 percent of African-American children. The intra-220 program is the program within the City of Milwaukee, not to be confused with inter-220 which is the program in place to integrate city and suburban school districts.[11]

The statutes are antiquated in that the definition of minority groups are defined as one homogenous population (e.g. African-American, Hispanic, American Indian, an Alaskan native or a person of Asian or Pacific Island origin.) If an all-Hispanic school were to accept an Asian student, the law would say that a new student does not offer any additional diversity. In twenty-first century America this definition is not only outdated, but is also ignorant of the complexities of race and community.

The criteria for additional state funds for integration are complicated, but we will attempt to summarize by using an example. Let us say a school has 100 students; 80 students are African-American and 20 students are Caucasian. The law states the school can receive additional funds for every white student that replaces a black student until the school reaches a 30 percent white student population because a white student makes the school more diverse. However, the law does not provide for additional funds for the thirty-first white student. In the 1970s, the racial make-up of MPS was predominately white, so African-American students were placed on school buses and sent to schools outside of their residency in an attempt to racially integrate the public schools. The state law has not changed, but the community has changed.

Here is the portion of the law we believe every Wisconsin resident should find offensive and ignorant; the statutes consider all minorities as one group.[12] Going back to the example above, a school with 20 Caucasian students and 80 African-American students receive additional money for an additional white student, but a Latino or Hmong student is considered the same as an African-American student. Even though there is no argument that a Latino student would offer more diversity than a twenty-first white student, the state's statutory funding mechanism considers all non-white cultures the same.

| Fiscal Year | Intradistrict Transfer Aid Amount | % Change |
|---|---|---|
| 2011-12 | $39,470,800 | -11.2% |
| 2012-13 | 38,941,000 | -1.3 |
| 2013-14 | 41,250,600 | 5.9 |
| 2014-15 | 39,869,700 | -3.3 |

There are numerous state mandates associated with the intra-220 program. The mandates are complicated and costly. The suggested reform does not prevent MPS from continuing their current integration practices. However, the reform would eliminate the state mandates and allow the district to use the same funding for an integration program or any other expenditure they feel is the best use of the $39 million block grant.[13] The decision is up to the local school board, but the money can be used for additional teachers, information technology, improving facilities or parent centers.

***Reform: Convert the Chapter 220 Intradistrict funding into a block grant and eliminate all state mandates associated with the Chapter 220 Intradistrict program.***

## DPI Waiver of Mandates

One size does not fit all. The state of Wisconsin has very specific mandates placed on our schools. State mandates range from energy audits, types of class offerings and a wide range of other mandates on teachers, administrators and students. For example, in Wisconsin all high school students must complete a minimum of 1.5 physical education requirements in order to graduate.[14] The requirement may have merit for the vast majority of students in Wisconsin, but there may be exceptions. For example, suppose a young man is a gifted athlete and receives an NCAA athletic scholarship. His interest in athletics ensures that a significant portion of his time is spent physically training to compete at the collegiate level. However, many young people in the community may have the ability to play sports at the collegiate level, but may not have the academic foundation to succeed in the universities' classroom. For this reason it may make more sense to offer this student a waiver from physical education classes and allow him/her to take additional classes focusing on an academic area he/she can use more classroom instruction (e.g. algebra, English, physics.) Schools would directly be able to apply to DPI for a waiver of any state mandate. DPI would be required to respond to the waiver request within three weeks or the waiver requested by the school's principal would be automatically approved.

***Reform: Allow schools to apply for and receive waivers from certain state mandates.***

## Computer Programming Academy

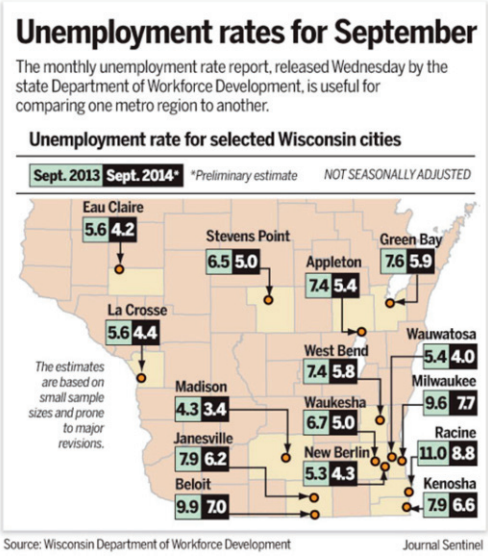
In many respects the K-12 education system is not adapting to the needs of the market's demands for future employment. One career field of note is for computer programmers, both locally and nationally. The lack of programmers is interesting since there is a significant interest in technology with the millennium generation and the succeeding generation of youth. The problem may be attributable to an education system that does not present the classes or the career field to student's attention.

Finland is among the highest performing school systems in the world. Recently, the country announced computer coding will be included in the curriculum for all students. England is taking notice as well and overhauling their curriculum.[15] It is important that Wisconsin creates a coding school of excellence to provide programming skills to eligible 11th and 12th graders. The typical coder, in their mid-20s, frequently earns a six-figure salary and company equity in exchange for their high-demand skills. The funding for the coding school would be redirected from portions of the budget of Cooperative Educational Service Agency (CESA) 1 and repurposed into a programming school grant. The grant would require a 50/50 match from a charter school authorizer. It is our hope that a top-tier school like Milwaukee School of Engineering would be interested in the establishment of such a school.

***Reform: Repurpose a portion of CESA 1s almost $12 million budget into a grant for a charter coding school of excellence.[16]***

## Chapter 2: Free Market Zones-Targeted Practices for Challenging Neighborhoods

Several of the targeted areas in Milwaukee County were formerly home to one of the strongest manufacturing communities in the country. The decades since the 1960s have seen a steady decline in manufacturing and the economic activity related to its supply chain. From A.O. Smith, later sold to Tower Automotive, and their development of metal frames to Cutler-Hammer and their electrical products, the area sustained incomes for middle-class families.[17] Where there is a lack of quality jobs, there are foreclosed homes, underperforming schools and crime. The unemployment rates in these areas deviate significantly from the state's overall unemployment rate.




Since 2010 the state economy recovered from the Great Recession, but signs of recovery in many Milwaukee neighborhoods are sparse. Republicans and Democrats frequently agree with the statement, "How Milwaukee goes, determines how Wisconsin goes." Traditionally, Milwaukee is the economic engine of the state, but the engine of Milwaukee commerce has slowed. The neighborhoods we are addressing are also disproportionally the recipients of cost associated with poverty including high incarceration, healthcare, child welfare and numerous other services. Our proposals are not centered on removing safety nets, but providing trampolines.

## Zero Percent Corporate Tax

A competitive tax climate is not a selling point for Wisconsin, or more specifically Milwaukee. Wisconsin has high individual and corporate taxes, in addition, high property taxes. Progress is being made, but Wisconsin is still not competitive with most states. Repeatedly, history shows that a lower tax burden spurs additional economic growth and more jobs.[18]

One of the challenges of lowering taxes is that in the short-term the state realizes a decrease in revenue. If the political will is not present to cut spending, only growth in tax revenue may be used to reduce the tax burden. To address this problem and to keep the reforms proposed from being scored as a "cost" to the general fund, innovative tax proposals need to be entertained to attract businesses.

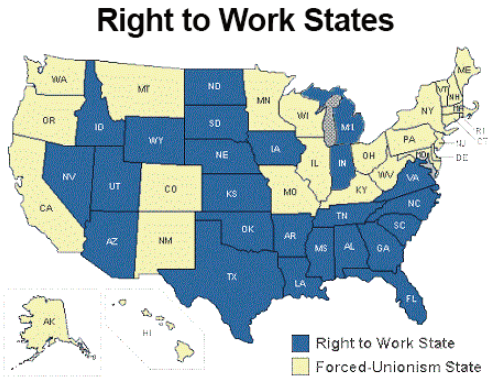
Wisconsin has a heavy manufacturing presence, but there are significant opportunities for industries to enter. Just to name a few industries, Wisconsin does not make any planes, trains or automobiles, but we used to manufacture tens of thousands of automobiles.[19] Wisconsin could have the opportunity to be at the table the next time a large investment is made in these industries. In order to be at the table though, the state needs to compete with the zero corporate tax states (e.g. Nevada, South Dakota and Wyoming.)[20]

It would be unfair to existing Wisconsin employers if companies that directly compete with existing Wisconsin companies were granted a zero percent tax rate, when their tax rate is 7.9 percent. For example, a company that wanted to make generators would not qualify because there are companies already present in Wisconsin that are in the generator business. If a company assembled automobiles they would qualify because Wisconsin does not have an automobile industry.

> ***Reform: Create a 5-person governor appointed board that could grant companies moving to the targeted zone, a zero percent corporate tax rate if they do not compete with an existing Wisconsin business.***

## Right-to-Work Zone

Similar to a state's tax burden, a state's status as right-to-work influences a company's decisions. The businesses considering investment, or additional investment, are increased with regularity if the state is right-to-work. Approximately twenty-four of the states in this country are right-to-work and the other twenty-six still require all employees in a union shop to be part of the union.[21] It is important that Wisconsin is competitive in luring businesses by providing a right-to-work zone.



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It is not our intent to make the proposal a battle over right-to-work. However, when targeting new investments, Wisconsin will be competitive with the most economically dynamic states if policymakers are able to offer no taxes and a right-to-work zone. When coupled with the DWD and the WTCSs ability to offer on-site job training, Milwaukee and Wisconsin will be in an advantageous position to bring significant investment to Wisconsin.

***Reform: Create a 5-person governor appointed board that could grant a company's employees the right not to be mandated to join a union. The board would have to certify the business does not directly compete with an existing Wisconsin business.***

## Repeal Minimum Mark-Up Law

Wisconsin's minimum mark-up law is also known as the Unfair Sales Act. This Act is an outgrowth of President Roosevelt's New Deal policies and has been in place in Wisconsin since 1939.[22] The "unfair" part, in our opinion, is that consumers end up paying more for everyday necessities in order to ensure businesses are always selling products at a profit.

In business it is commonplace to sell products below cost in order to induce customers to shop. This concept, referred to as a "loss leader," works out well for consumers and businesses in the long run. For example, thrifty consumers will take advantage of the item being sold at below cost and may decide to stock up when on sale. Good examples include items like diapers that are non-perishable and a product that represents a need for parents, not a want. Businesses benefit from increased store traffic, which leads to increased sales.

The rationale behind the law is to ensure that the little guys are not squeezed out of the market by big box stores. Unfortunately, in the targeted neighborhoods there are no, or few, little guys left. In addition, the current law is difficult to enforce since online retail makes it impossible to enforce the minimum mark-up law when the retailer is an out-of-state vendor, but still has access to the Wisconsin market via the internet. The minimum mark-up law has outgrown its intended goal in Wisconsin and should be repealed to reflect the changes of the business community in these areas.

***Reform: Repeal the minimum mark-up law on consumer products in the targeted areas.***

# Chapter 3: Removing Barriers to Work

There is something inherent in individuals that bring value to work. The monetary benefits and rewards of work are well understood, but what is less discussed are the positive attributes an individual, family and community benefit from due to work. All too often work is discussed in the public realm as a pure dollar and cents perspective. However, the real depravity in the absence of work is to an individual's sense of self-worth, not their net worth.

For these reasons, it is immoral for government to put in place restrictions that inhibit an individual's opportunity to work. The Wisconsin State Supreme Court reaffirmed this message in a 1938 case.[23] The court stated, "The general rule undoubtedly is that any person is at liberty to pursue any lawful calling, and to do so in his own way, not encroaching on the rights of others." However, city and state governments have erected barriers to work, thus denying their very citizens the right to engage in economic activity. Those with connections and well-paid lobbyists have convinced legislative leaders for their profession to be granted a special license or extraordinary training requirement - after they are grandfathered in - to enter a certain profession. These measures are often cynically advocated for on the behalf of protecting consumers, while all too often the result is a reduction in the number of professionals in a certain trade. The professionals in the trade are creating more work, per member, by erecting fences to make it more difficult for other individuals to compete.

## Occupational Licensing

A 2012 study completed by the Institute for Justice ranked Wisconsin as having the twenty-eighth most onerous licensing requirements in the country. In addition, Wisconsin licenses 47 of 102 low to moderate-income occupations. The state's Department of Safety and Professional Services (DSPS) identified 156 professional credential types in which at least one person or business held a credential. The average aspiring practitioner in Wisconsin will pay $209 in fees, will lose 145 days to education and will be required to take one exam.[24]

In the last four years laws have been passed to eliminate and minimize work barriers in the state. From chiropractors to eyebrow-threaders, the state has eliminated barriers to work without sacrificing consumer health and safety.

***Reform: Eliminate licensure requirements for:***

- ***Floor Sanders***
- ***Interior Designers***
- ***African Hair Braiding***

***Floor Sanders:*** With thousands of foreclosed homes in the neighborhood, allowing homeowners to employ a floor sander without a license is a risk they can bare. The homeowners should decide who is a good floor sander, not the state.

***Interior Designers:*** With a consistent turnover of homes in several neighborhoods and considerable homes owned by investors, there may be a market for individuals with really good taste to contribute to the design of a home's interior, but who did not have the money to pay for a state license or the opportunity to attend school. In addition, anyone that has committed a crime can be denied a state license. Individuals should not be blacklisted for life and denied the opportunity to follow their passion. It is hard to argue the wrong paint and window treatments warrant state regulation of a profession.

***African Hair Braiding:*** Thanks to the Institute for Justice, national attention has been drawn to cosmetologists using the power granted to them from legislatures to shut down African hair braiding shops around the country because they offer a service that can erode their legislatively protected customer base. Courts, for good reason, have agreed that cosmetologists should not have the right to shut down individuals that want to sell African hair braiding services.

Let us assume a white female attends Brookfield East High School and then attends cosmetology school. She will then be a state licensed cosmetologist and can legally perform African hair braiding even though African hair braiding is not taught in cosmetology school. Let us assume a black female lived in the City of Milwaukee and because of circumstances out of her control did not have the time to attend cosmetology school or the money to pay for school. However, she grew up braiding hair and her family has been doing African hair braiding for generations. The state says the girl from Brookfield East can braid hair, but the girl from the inner city cannot work in the capacity as a hair braider. The treatment is an injustice, which this reform will correct .

## Allow Small Businesses to Operate a Business Out of a Home

As highlighted in the Institute for Justice's report, *Unhappy Days for Milwaukee Entrepreneurs*, *Brew City Regulations Make it Hard for Businesses to Achieve the High Life*, Milwaukee has onerous restrictions on the ability of homeowners to operate a business out of their home. Under the current guidelines, one of Milwaukee's most treasured assets and an icon to the city, Harley Davidson, would never have been created. William Harley and Arthur Davidson started their business in their friend's garage. They were not related to their friend and they worked in his garage, thus violating today's city ordinances.[25] This example is by no means extreme. How many entrepreneurs in the city sit on the sidelines and never pursue their innovative ideas or are shut down because they may be fined or litigated by the government?

In the neighborhoods of the targeted zip codes many individuals have the ambition, but not the financial resources to begin a business. That is why many home businesses across the entire country begin at home. Since startup capital is not readily available for most to fund an office or manufacturing space to grow a business, many rely on their personal domicile to begin. Unfortunately, the City of Milwaukee, through various ordinances, discourages home-based businesses. In fact any prospective home businesses must file a "Home Occupation Statement Application" with the Department of Neighborhood Services and pay a $50 fee to the city. Another hurdle is the definition of who is able to work in your home business. The city states that, "In residential zoning districts, only residents of the dwelling may be employed in the home business" even bringing in one assistant who does not live there violates the law. If the home business is located in a commercial or industrial district, the business may have one non-resident as an employee. Further, only 25 percent of the usable floor area of the dwelling unit can be used for the business and only 50 percent of the garage can be used for storage.[26]

> ***Reform: Establish the right of an individual to operate a business out of their home if the total employees do not exceed 5 FTEs and customer/client traffic is less than 15 individuals a day.***

The City of Milwaukee has numerous licenses that nearly all states and all other municipalities have not licensed and for good reason. An example includes a city license for taking photographs for compensation. There is no reason an entrepreneur should be forced to fill out government paperwork and pay fees to work as a photographer.

> ***Reform: Establish the right of an individual to operate a photography business without obtaining a license from the City of Milwaukee.***

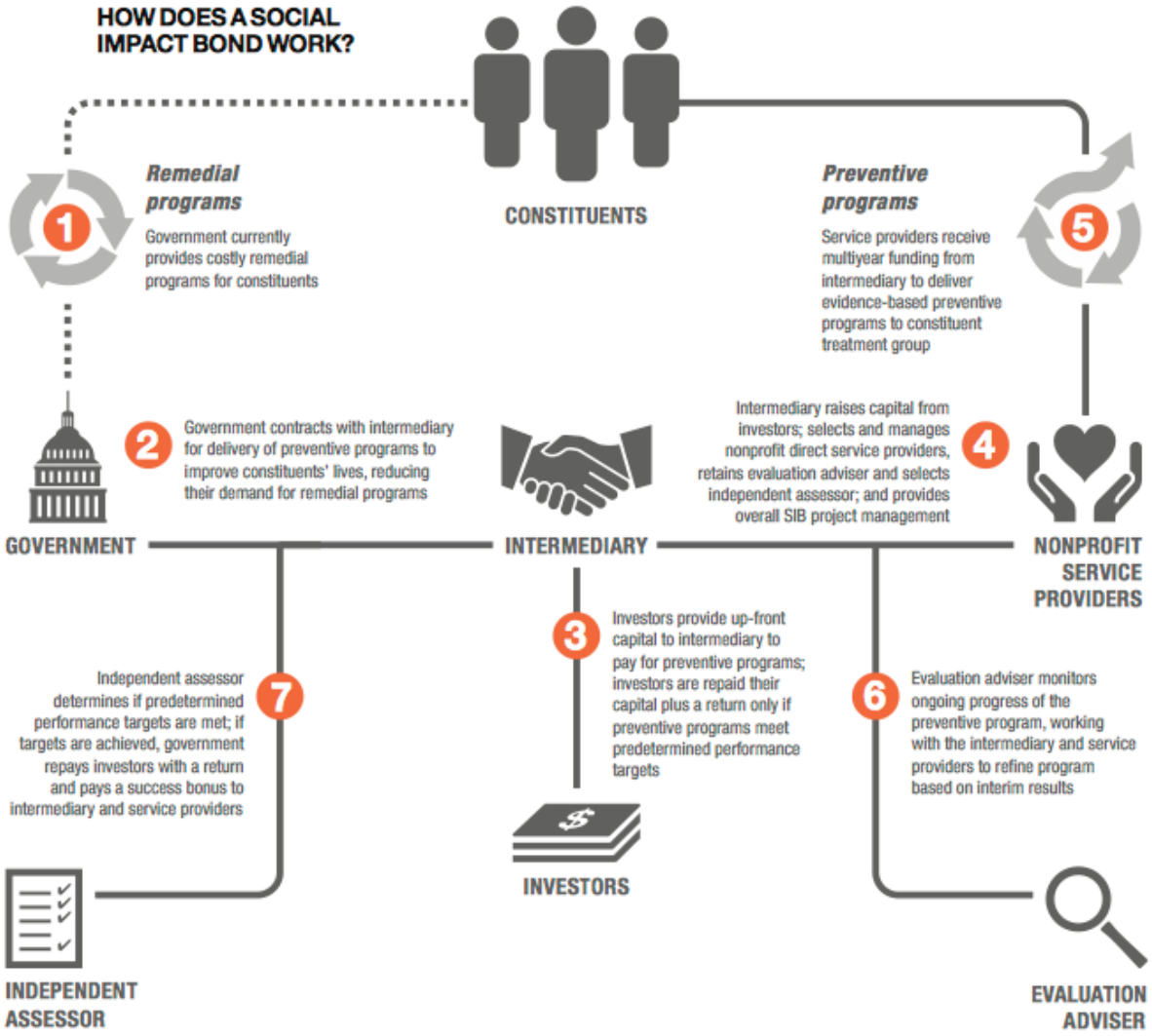
> ***Reform: Support the rights of individuals to work in the city by banning the City of Milwaukee from creating any new occupational licenses without the approval of the Wisconsin DSPS.***

# Chapter 4: Social Impact Bonds

America's competitive advantage lies in our ability to continuously reinvent. We are an innovative nation. Our inherent sense of problem solving has been a key driver of our nation's success. With that in mind, our state has several issues where we could unleash our entrepreneurial, free market approach to experiment with new solutions to reduce recidivism, addiction, invasive species or a host of other significant issues demanding public resources.

In 2010, the United Kingdom debuted a new public-private partnership to address the problem of prison recidivism. The vehicle for experimenting with new approaches to address societal issues is referred to as a social impact bond (SIB). This idea gained traction in the United States and is spreading to other municipal and state governments. SIBs offer a new approach to make positive strides to alleviate societal ills.

SIBs are not traditional bonds; they are to be thought more of as "Pay for Success" (PFS) contracts. In practical terms, the government (state, county and/or municipality) contracts with a third party organization that can provide a social service, backed by a financial intermediary. In theory, the contracted group will perform the service better than the government can provide, or better than the group the government contracted with to provide the said service. Some recent examples of issues addressed by employing SIBs include: prison recidivism, teen pregnancy, and early childhood learning.




Source: http://mckinseyonsociety.com/downloads/reports/Social-Innovation/McKinsey_Social_Impact_Bonds_Report.pdf

Once the target population and problem are established, the government, the social service provider, an independent auditor and the financial intermediary can define benchmarks. If the social service provider can provide financial savings to the government and therefore the taxpayer, then the financial intermediary will be able to pay the investors for their loan with the state rate of return. The interest rates and payments vary with each SIB. If the desired result is not met then investors are not paid back and their financial commitment reverts to a traditional charitable donation.

SIBs are defined as government contracts, where a private-sector intermediary purchases social service provider(s) and in turn, pays the intermediary, but only if the provider meets performance targets. The payments or return on investment are funded at least partially by the cost savings the social service provider achieves by implementing their project.[27]

SIBs are a financial instrument to lure more investors from the private sector into the public sector to find savings in the programs that governments administer. The San Francisco Federal Reserve Bank highlights that, "SIBs operate at the intersection of three important trends: greater funder interest in evidence-based practices in social service delivery; government interest in performance-based contracting; and impact investor appetite for investment opportunities with both financial returns and social impacts."[25] It is important to note that SIBs will never replace private fundraising or government aid because not all social programs have quantifiable results. Quantifiable results are at the heart of SIBs because a benchmark has to be established and audited by an independent third party before investors can be paid back.[28]

> *"The status quo isn't working. That's why it's so encouraging that California policymakers are willing to partner with the private sector to drive better performance in government. If the private sector wants to pay for the state to experiment with programs that improve social outcomes and reduce costs, it could be a major win for both the programs' recipients and taxpayers."*
>
> **- Leonard Gilroy – Director of Government Reform, Reason Foundation**

While SIBs are relatively new, several states and even cities have implemented programs in their respective jurisdictions to address a wide range of social dilemmas. Even more states are in implementation infancy and they are conducting feasibility studies to assess optimal strategies and solutions. SIB legislation has passed in fourteen states and the District of Columbia since 2012.[29] *(Appendix III - a list of governments that have entered into SIB Contracts.)*

An example of an opportunity in Wisconsin could include the chronic recidivism in Milwaukee's inner city. The State of Wisconsin spent $32,824 per inmate in 2014.[30] Let us assume a third party, Hope for Young Men, had an idea for reducing recidivism among 20-30 year old males, which stands at 60 percent. A private investor, or charitable trust, could provide $1 million to fund a program established by the Hope for Young Men. The State of Wisconsin could draw up a contract. If we know, 60 out of 100 men will go back to jail for an average of 5 years, the cost of each individual that commits another crime is approximately $150,000. The contract could state if the program yields a recidivism rate of only 30 percent then the state could save the cost of 30 prisoners at a cost of $150,000, which equals a total of approximately $4.5 million in taxpayer savings. The state would return the $1 million to the investor with an agreed upon return, let us assume it is 10 percent, so the state would spend $1.1 million, but in return would be saving taxpayers $3.4 million while 30 young men go from a life in the criminal justice system to being able to contribute to their families and the community.

> *"These pay-for-success programs make a lot of sense because it's an opportunity to expand social services to people who might not otherwise get them, and is an innovative structure that encourages public-private partnerships."*
>
> **- Ian Rosenblum – Deputy Secretary of Education and Economic Opportunity, New York State**

SIBs offer all invested parties (e.g. government, social service providers, investors) the transparency to see where their money is used most effectively to achieve long-term savings. This concept provides incentives for government to move away from the status quo and try new and inventive solutions with a private-public partnership. According to the Federal Reserve of San Francisco, "SIBs explicitly seek to create a marketplace for impact investment, supported by rigorous due diligence and analytics."[31] Delivering free market ideas to solve societal problems is a proven effective tool that should be an option.

In the end an investor's motivation may be charitable, it may be profit, or a combination of the two. The motivation does not matter, what matters is progress. SIBs will increase the number of stakeholders, encourage entrepreneurial activity in order to solve societal issues and reward the individuals and organization with proven track records with additional capital to expand their efforts to increase outcomes.

> ***Reform: Require Wisconsin state agency heads to examine existing programs and submit a plan to the Joint Finance Committee with existing government costs that can be decreased, or programs that could deliver better results, by employing the use of SIBs. Create the legal framework necessary and allow state agencies to enter into SIB contracts with the approval of the Joint Finance Committee.***

## Chapter 5: Benefit Corporation & L3C

A new business model is emerging in the United States. Titles range from mission business, impact-driven business or B-Corp. In the legal community they are best known as benefit corporations. According to the National Council of State Legislatures, "Benefit corporations are taxed like traditional corporations, but are protected from potential shareholder lawsuits claiming they failed to maximize profits."[32] Currently, there are twenty-four states that allow benefit corporations to charter in their respective states. Two of Wisconsin's bordering states, Illinois and Minnesota, already allow for these corporations and the other neighboring states have introduced legislation.[33]

> *"This isn't charity, just a new business model with less brick and mortar, smaller margins and more community focus."*
>
> **- Saloni Doshi – Entrepreneur, Fresh Takes Kitchen**

A benefit corporation allows capitalism and philanthropy to work together in order to encourage the stakeholders to seek profits, but equally important, create a positive impact in the community. Entrepreneurs seek to solve many social ills through new business ventures while turning a nominal profit. Benefit corporations are not 501(c) (3) non-profits, but they operate in the same markets and seek the same socially beneficial outcomes. Benefit corporations are not allowed the same unique tax treatments that non-profits receive, nor can they receive charitable donations. The advantage to a benefit corporation is the legal protection to consider the interest of all stakeholders, rather than just the shareholders who elected them.[32]

***Reform: Create legislation that allows organizations to be structured as benefit corporations.***

The low-profit limited liability company or L3C is another business model to leverage private dollars to administer services for charitable good. The business can primarily serve a charitable interest or indirectly support the service or operate in both arenas. The model seeks to remove bureaucracy from the situation and implement entrepreneurship to deliver better results. The L3C business model may be attractive to business to eliminate the regulatory burdens of the nonprofit world while providing the same public service. L3Cs can be found in Vermont, Michigan, Utah, Wyoming and Illinois.[33]

> *"The L3C is the for-profit with the nonprofit soul."*
>
> **- Robert Lang – Founder of Americans for Community Development**

The impetus for the L3C model arose because of the technicalities with IRS regulations regarding program related investments (PRI) and charitable giving by foundations. A foundation is required by law to give away or invest in PRIs approximately 5 percent of its endowment every year to remain tax-exempt. According to the originator of the L3C model, Robert Lang from the Americans for Community Development, "L3Cs facilitate PRI investment along with tranched (layered) investing where the PRI usually takes the first risk position thereby reducing risk for other investors in higher return tranches."[34] Wisconsin should offer businesses in the state the ability to reorganize or charter as these types of businesses to operate in Wisconsin to further the mission of public service and altruism.

***Reform: Create legislation that allows organizations to be structured as L3Cs.***

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# Appendix I – American Survey Data (2008-12)

**DP03: SELECTED ECONOMIC CHARACTERISTICS**
**2008-2012 American Community Survey 5-Year Estimates**

| Subject | ZCTA5 53295 | | | | ZCTA5 53206 | | | | ZCTA5 53205 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error |
| EMPLOYMENT STATUS | | | | | | | | | | | | |
| Population 16 years and | 104 | +/-85 | 104 | (X) | 20,195 | +/-1,083 | 20,195 | (X) | 6,602 | +/-536 | 6,602 | (X) |
| In labor force | 28 | +/-31 | 26.90% | +/-14.5 | 10,352 | +/-801 | 51.30% | +/-2.7 | 3,590 | +/-369 | 54.40% | +/-4.1 |
| Civilian labor force | 28 | +/-31 | 26.90% | +/-14.5 | 10,352 | +/-801 | 51.30% | +/-2.7 | 3,590 | +/-369 | 54.40% | +/-4.1 |
| Employed | 15 | +/-22 | 14.40% | +/-16.4 | 7,120 | +/-615 | 35.30% | +/-2.3 | 2,657 | +/-337 | 40.20% | +/-4.1 |
| Unemployed | 13 | +/-19 | 12.50% | +/-15.4 | 3,232 | +/-464 | 16.00% | +/-2.1 | 933 | +/-159 | 14.10% | +/-2.3 |
| Armed Forces | 0 | +/-9 | 0.00% | +/-17.4 | 0 | +/-17 | 0.00% | +/-0.1 | 0 | +/-13 | 0.00% | +/-0.3 |
| Not in labor force | 76 | +/-59 | 73.10% | +/-14.5 | 9,843 | +/-740 | 48.70% | +/-2.7 | 3,012 | +/-392 | 45.60% | +/-4.1 |
| | | | | | | | | | | | | |
| Civilian labor force | 28 | +/-31 | 28 | (X) | 10,352 | +/-801 | 10,352 | (X) | 3,590 | +/-369 | 3,590 | (X) |
| **Percent Unemployed** | (X) | (X) | **46.40%** | +/-53.6 | (X) | (X) | **31.20%** | +/-3.5 | (X) | (X) | **26.00%** | +/-4.1 |

| Subject | ZCTA5 53208 | | | | ZCTA5 53212 | | | | ZCTA5 53204 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error |
| EMPLOYMENT STATUS | | | | | | | | | | | | |
| Population 16 years and | 23,822 | +/-884 | 23,822 | (X) | 24,374 | +/-932 | 24,374 | (X) | 28,194 | +/-935 | 28,194 | (X) |
| In labor force | 15,616 | +/-651 | 65.60% | +/-1.9 | 16,461 | +/-826 | 67.50% | +/-2.2 | 18,372 | +/-879 | 65.20% | +/-1.9 |
| Civilian labor force | 15,610 | +/-649 | 65.50% | +/-1.9 | 16,461 | +/-826 | 67.50% | +/-2.2 | 18,372 | +/-879 | 65.20% | +/-1.9 |
| Employed | 12,641 | +/-580 | 53.10% | +/-2.0 | 13,565 | +/-685 | 55.70% | +/-2.1 | 15,234 | +/-807 | 54.00% | +/-1.9 |
| Unemployed | 2,969 | +/-413 | 12.50% | +/-1.6 | 2,896 | +/-437 | 11.90% | +/-1.7 | 3,138 | +/-363 | 11.10% | +/-1.2 |
| Armed Forces | 6 | +/-12 | 0.00% | +/-0.1 | 0 | +/-20 | 0.00% | +/-0.1 | 0 | +/-20 | 0.00% | +/-0.1 |
| Not in labor force | 8,206 | +/-608 | 34.40% | +/-1.9 | 7,913 | +/-619 | 32.50% | +/-2.2 | 9,822 | +/-571 | 34.80% | +/-1.9 |
| | | | | | | | | | | | | |
| Civilian labor force | 15,610 | +/-649 | 15,610 | (X) | 16,461 | +/-826 | 16,461 | (X) | 18,372 | +/-879 | 18,372 | (X) |
| **Percent Unemployed** | (X) | (X) | **19.00%** | +/-2.4 | (X) | (X) | **17.60%** | +/-2.3 | (X) | (X) | **17.10%** | +/-1.8 |

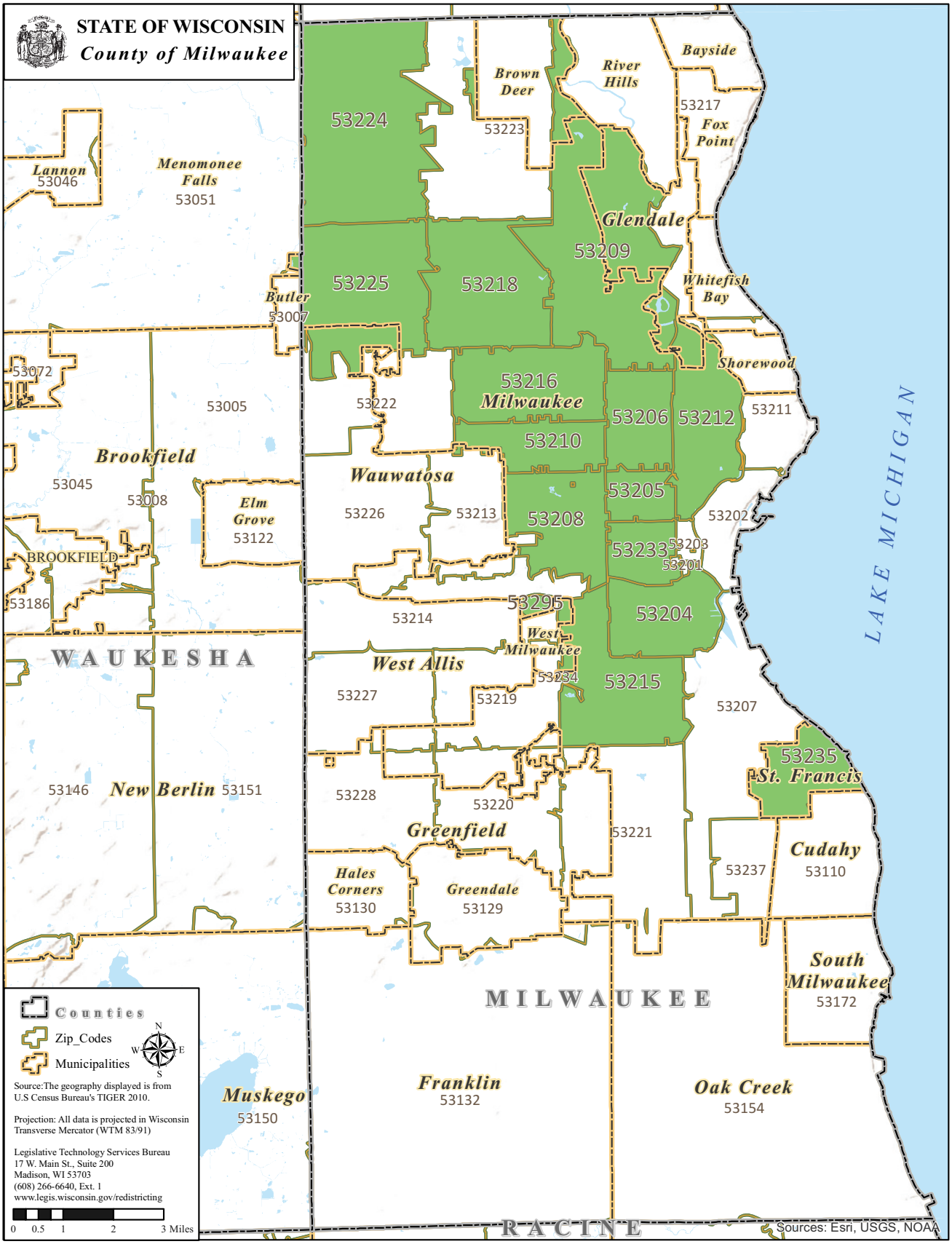
| Subject | ZCTA5 53210 | | | | ZCTA5 53218 | | | | ZCTA5 53216 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error |
| EMPLOYMENT STATUS | | | | | | | | | | | | |
| Population 16 years and | 19,223 | +/-866 | 19,223 | (X) | 28,474 | +/-1,004 | 28,474 | (X) | 24,015 | +/-831 | 24,015 | (X) |
| In labor force | 12,319 | +/-729 | 64.10% | +/-2.2 | 17,935 | +/-821 | 63.00% | +/-1.7 | 15,637 | +/-638 | 65.10% | +/-2.0 |
| Civilian labor force | 12,310 | +/-730 | 64.00% | +/-2.2 | 17,935 | +/-821 | 63.00% | +/-1.7 | 15,618 | +/-636 | 65.00% | +/-2.0 |
| Employed | 10,205 | +/-676 | 53.10% | +/-2.3 | 14,930 | +/-762 | 52.40% | +/-1.6 | 13,167 | +/-580 | 54.80% | +/-2.1 |
| Unemployed | 2,105 | +/-314 | 11.00% | +/-1.6 | 3,005 | +/-378 | 10.60% | +/-1.3 | 2,451 | +/-353 | 10.20% | +/-1.4 |
| Armed Forces | 9 | +/-15 | 0.00% | +/-0.1 | 0 | +/-20 | 0.00% | +/-0.1 | 19 | +/-30 | 0.10% | +/-0.1 |
| Not in labor force | 6,904 | +/-495 | 35.90% | +/-2.2 | 10,539 | +/-579 | 37.00% | +/-1.7 | 8,378 | +/-628 | 34.90% | +/-2.0 |
| | | | | | | | | | | | | |
| Civilian labor force | 12,310 | +/-730 | 12,310 | (X) | 17,935 | +/-821 | 17,935 | (X) | 15,618 | +/-636 | 15,618 | (X) |
| **Percent Unemployed** | (X) | (X) | **17.10%** | +/-2.4 | (X) | (X) | **16.80%** | +/-1.9 | (X) | (X) | **15.70%** | +/-2.1 |

# Appendix I – American Survey Data (2008-12) - continued

| Subject | ZCTA5 53215 | | | | ZCTA5 53209 | | | | ZCTA5 53235 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error |
| EMPLOYMENT STATUS | | | | | | | | | | | | |
| Population 16 years and | 41,927 | +/-1,062 | 41,927 | (X) | 33,576 | +/-1,046 | 33,576 | (X) | 8,092 | +/-227 | 8,092 | (X) |
| In labor force | 27,002 | +/-866 | 64.40% | +/-1.5 | 21,113 | +/-788 | 62.90% | +/-1.8 | 5,394 | +/-316 | 66.70% | +/-3.6 |
| Civilian labor force | 27,002 | +/-866 | 64.40% | +/-1.5 | 21,089 | +/-784 | 62.80% | +/-1.8 | 5,380 | +/-317 | 66.50% | +/-3.6 |
| Employed | 22,857 | +/-801 | 54.50% | +/-1.6 | 18,043 | +/-756 | 53.70% | +/-2.0 | 4,747 | +/-319 | 58.70% | +/-3.7 |
| Unemployed | 4,145 | +/-410 | 9.90% | +/-0.9 | 3,046 | +/-416 | 9.10% | +/-1.2 | 633 | +/-161 | 7.80% | +/-2.0 |
| Armed Forces | 0 | +/-22 | 0.00% | +/-0.1 | 24 | +/-38 | 0.10% | +/-0.1 | 14 | +/-25 | 0.20% | +/-0.3 |
| Not in labor force | 14,925 | +/-794 | 35.60% | +/-1.5 | 12,463 | +/-788 | 37.10% | +/-1.8 | 2,698 | +/-303 | 33.30% | +/-3.6 |
| | | | | | | | | | | | | |
| Civilian labor force | 27,002 | +/-866 | 27,002 | (X) | 21,089 | +/-784 | 21,089 | (X) | 5,380 | +/-317 | 5,380 | (X) |
| **Percent Unemployed** | (X) | (X) | **15.40%** | +/-1.4 | (X) | (X) | **14.40%** | +/-1.9 | (X) | (X) | **11.80%** | +/-2.9 |

| Subject | ZCTA5 53233 | | | | ZCTA5 53224 | | | | ZCTA5 53225 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error | Estimate | Margin of Error | Percent | % Margin of Error |
| EMPLOYMENT STATUS | | | | | | | | | | | | |
| Population 16 years and | 13,708 | +/-941 | 13,708 | (X) | 16,100 | +/-795 | 16,100 | (X) | 17,984 | +/-907 | 17,984 | (X) |
| In labor force | 6,962 | +/-572 | 50.80% | +/-3.6 | 10,920 | +/-679 | 67.80% | +/-3.0 | 12,305 | +/-754 | 68.40% | +/-2.3 |
| Civilian labor force | 6,962 | +/-572 | 50.80% | +/-3.6 | 10,883 | +/-681 | 67.60% | +/-3.0 | 12,291 | +/-751 | 68.30% | +/-2.3 |
| Employed | 6,162 | +/-554 | 45.00% | +/-3.5 | 9,674 | +/-639 | 60.10% | +/-3.1 | 10,965 | +/-699 | 61.00% | +/-2.4 |
| Unemployed | 800 | +/-191 | 5.80% | +/-1.4 | 1,209 | +/-264 | 7.50% | +/-1.6 | 1,326 | +/-305 | 7.40% | +/-1.6 |
| Armed Forces | 0 | +/-15 | 0.00% | +/-0.1 | 37 | +/-59 | 0.20% | +/-0.4 | 14 | +/-23 | 0.10% | +/-0.1 |
| Not in labor force | 6,746 | +/-784 | 49.20% | +/-3.6 | 5,180 | +/-574 | 32.20% | +/-3.0 | 5,679 | +/-501 | 31.60% | +/-2.3 |
| | | | | | | | | | | | | |
| Civilian labor force | 6,962 | +/-572 | 6,962 | (X) | 10,883 | +/-681 | 10,883 | (X) | 12,291 | +/-751 | 12,291 | (X) |
| **Percent Unemployed** | (X) | (X) | **11.50%** | +/-2.7 | (X) | (X) | **11.10%** | +/-2.3 | (X) | (X) | **10.80%** | +/-2.3 |

# Appendix II – Map of Targeted Zip Codes



## Appendix III – Various Social Impact Bond Projects by State

**California – prison recidivism.** Over the last decade, more than half of adult felons released from California prisons have returned to the correctional system within two years.[29] With that in mind, Democratic State Senator Ted Lieu introduced Senate Bill 593 last year. This legislation establishes a pilot program for social impact partnerships. The program would be facilitated through the governor's office with the stated goal of entering into three pay-for-success partnerships before December of 2019. The state would seek to improve outcomes or lower state costs, to reduce recidivism, to reduce child abuse and neglect, or to assist at-risk and foster children. As of publication of this document, SB 593 is awaiting a vote in the Senate chambers.[34]

**Illinois – prison recidivism.** On May 5, 2014 Governor Quinn announced Illinois would participate in a SIB. One Hope United, in tandem with the Conscience Community Network will address at-risk youth in child welfare and juvenile justice systems in the state. Capital Partners is the financial intermediary who has set a goal of raising $30 million to fund this initiative for five to seven years. In 2013, the Illinois Department of Children and Family Services spent $155.3 million to place 1,323 juveniles in group homes or other institutions via 92 separate contracts with the state.[36]

**Massachusetts – prison recidivism.** On January 29, 2014 Governor Deval Patrick announced their state's first SIB. The project is focused on about 929 "high-risk" young men as they move out of the juvenile justice system. Currently, Massachusetts figures indicate that 64 percent of these juveniles are expected to be re-incarcerated in the following five years and only 35 percent gain any form of employment within a year of release from prison. Annually, the state spends $47,000 to imprison an individual.

The financial intermediary for the SIB is Third Sector Capital Partners and the social service provider is Roca Inc. Money raised for this endeavor totals $27 million and the state estimates the project will last seven years. The benchmark for the project is to reduce recidivism by 40 percent with the potential to reduce the state's incarceration expenditures by $300 million. The program's success will be determined based on reductions in the number of days young men served by Roca spend in jail and improvements in their employment and job readiness.[37]

**New Jersey – preventive and early intervention health care.** Assembly Bill No. 3289 introduced on September 27, 2012; passed both houses on January 13, 2014, but pocket vetoed by the governor on January 21, 2014. The legislation started the SIB as a five-year pilot program administered by the New Jersey Economic Development Authority. The legislation defined the SIB as, "A contract between the public and private sectors in which a commitment is made to pay for improved financial and social outcomes that result in public sector savings."[38]

**New York – prison recidivism.** Governor Cuomo announced in his state of the state address on December 2013 that New York would be the first state in the United States to undergo a social impact bond. The SIB has a goal of reducing recidivism by at least eight percent or increase employment of former prisoners by at least five percentage points. The governor's office states that if the SIB is successful the state will realize $7.8 million in savings. The financial intermediary represents more than 40 investors with Bank of America Merrill Lynch being the primary investor who in aggregate raised $13.5 million. The state partnered with Chesapeake Research Associates to act as the independent validator and the social service provider is the non-profit Center for Employment Opportunities.[39]

In addition, the state budget set aside $30 million for additional social bonds. New York City is currently taking advantage of these funds by implementing the Riker's therapy program with goal of reducing juvenile recidivism.[28]

**Utah (Salt Lake County) – early learning initiatives.** On July 16, 2013 the Salt Lake County Council voted to approve an SIB with the United Way of Salt Lake facilitating the investment from several investors, the largest being Goldman Sachs. The $7 million investment will expand the Granite and Park City school districts program for at-risk children. The SIB will pay investors at a cap of 5 percent from expected state savings for special education services. Currently, Utah funds special-education programs at a rate of around $2,600 per student annually. City leaders and investors believe they can reduce the student population that would need these special-education programs.[40]

**Washington D.C. – teen pregnancy.** On May 14, 2014 Washington D.C.'s mayor, Vincent Gray, announced the city's desire to work with Social Finance US as an intermediary to attract investors and locate a social provider to lower teen pregnancy and improve educational outcomes for those in high school. The city is undergoing a request for proposal to identify the best social service provider to meet their laudable goals.[41]

More cities and states will evaluate SIBs in the upcoming year. Last year, several states (e.g. Colorado, Michigan, Ohio and South Carolina) won a competition held by the Rockefeller Foundation and Harvard University's Kennedy School of Government for technical assistance to implement social impact bond projects.[29]

# Appendix IV - Quotes

**President Barack Obama – 44th President of the United States of America**
*"For years, charter schools have brought new ideas to the work of educating our sons and daughters, and during National Charter Schools Week, we recognize their role in strengthening American education… Our children only get one chance at an education, and charter schools demonstrate what is possible when States, communities, teachers, parents, and students work together."*

**Leonard Gilroy – Director of Government Reform, Reason Foundation**
*"The status quo isn't working. That's why it's so encouraging that California policymakers are willing to partner with the private sector to drive better performance in government. If the private sector wants to pay for the state to experiment with programs that improve social outcomes and reduce costs, it could be a major win for both the programs' recipients and taxpayers."*

**Ian Rosenblum – Deputy Secretary of Education and Economic Opportunity, New York State**
*"These pay-for-success programs make a lot of sense because it's an opportunity to expand social services to people who might not otherwise get them, and is an innovative structure that encourages public-private partnerships."*

**Saloni Doshi – Entrepreneur, Fresh Takes Kitchen**
*"This isn't charity, just a new business model with less brick and mortar, smaller margins and more community focus."*

**Gordon Denlinger - Pennsylvania State Representative**
*"Pennsylvania is open for business, the business of combining the best of capitalism with American idealism."*
*"In a time of tight budgets, we need to pursue an all-of-the above approach when tackling social issues. Government has a role, but in many situations the free enterprise system can bring more efficient and effective results."*

**Jamie Raskin – Maryland State Senator**
*"(Benefit corporations) allow for innovation within capitalism because it is written into these companies' DNA that they can go beyond their core money-making function to create a positive impact in society and the world."*

**John C. Williams – President and CEO of the Federal Reserve Bank of San Francisco**
*"SIBs may have the potential to help governments address some of our nation's most obstinate problems and score wins for everyone: the private sector, nonprofits, government at the local, state, and federal level, and, most important, citizens across the country."*

**Lloyd Blankfein – Goldman Sachs CEO**
*"(On Social Impact Bonds)… Sometimes investors are motivated by standing for something. We want it to be combination of people's better instincts and their desire not to lose money. If it works, it'll get bigger and bigger, and have a life of its own."*

**Ron Paul – former Congressman from Texas' 14th district**
*"Right-to-work laws simply prohibit coercion. They prevent states from forcing employers to operate as closed union shops and, thus they prevent unions from forcing individuals to join. In many cases right-to-work laws are the only remedy to federal laws which empower union bosses to impose union dues as a condition of employment. Right-to-work laws do not prevent unions from bargaining collectively with employers and they do not prevent individuals from forming or joining unions if they believe it will benefit them."*

**Vincent C. Gray – Mayor of Washington D.C.**
*"SIBs are also an innovative way to ensure better outcomes while reducing risk exposure for the taxpayers of the District. We look forward to working with Social Finance US to structure a SIB that brings rigor, discipline and private capital to help improve to help improve the lives of our young people and our entire city."*

**Deval Patrick – Governor of Massachusetts**
*"The Pay for Success initiative will allow us to marry smart financial solutions with programs proven successful in helping high-risk youth become employed, stay employed, and break the cycle of violence."*

**Robert Lang – Founder of Americans for Community Development**
*"The L3C is the for-profit with the nonprofit soul."*