

THE
PEW
CENTER ON THE STATES

Vermont First:
**Using cost-benefit analysis to support state accountability
and budgeting**

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OUR WORK:

States' Fiscal Health & Economic Growth

Government Performance

Election Initiatives

Partnership for America's Economic Success

Pew Children's Dental Campaign

Pew Home Visiting Campaign

Pre-K Now

Public Safety Performance Project

Results First

Stateline

Need for better budget information is critical...now



- States are facing incredible fiscal pressures – national budget gaps of **\$527 billion** since start of Great Recession
- State revenues are starting to grow, but costs are growing much faster; over **\$30 billion** in gaps already estimated for next fiscal year
- States will suffer major cuts in federal funding under any deficit reduction scenario
- Critical need for better way to triage spending

The challenge



- **Legislatures typically have very limited information on programs in the appropriations base, what they are accomplishing, and how they compare**
- **Budgets are often incremental**
 - **Assumes all current programs are working and state will have about same amount of money in future**



Performance budgeting can help

- **Performance budgeting helps but is challenging to implement**
 - **Provides useful information on program accomplishments**
 - **But it can be hard to use measures to compare programs**
- **Cost-benefit analysis can help by assessing using a common metric that guides business decisions – return on investment**

- **Employs a cutting-edge cost-benefit analysis model that analyzes key state policy areas**
- **Enables states to analyze a wide range of policy choices and identify those that can maximize outcomes AND reduce costs**
- **Model can assess individual programs and portfolios of related policies**

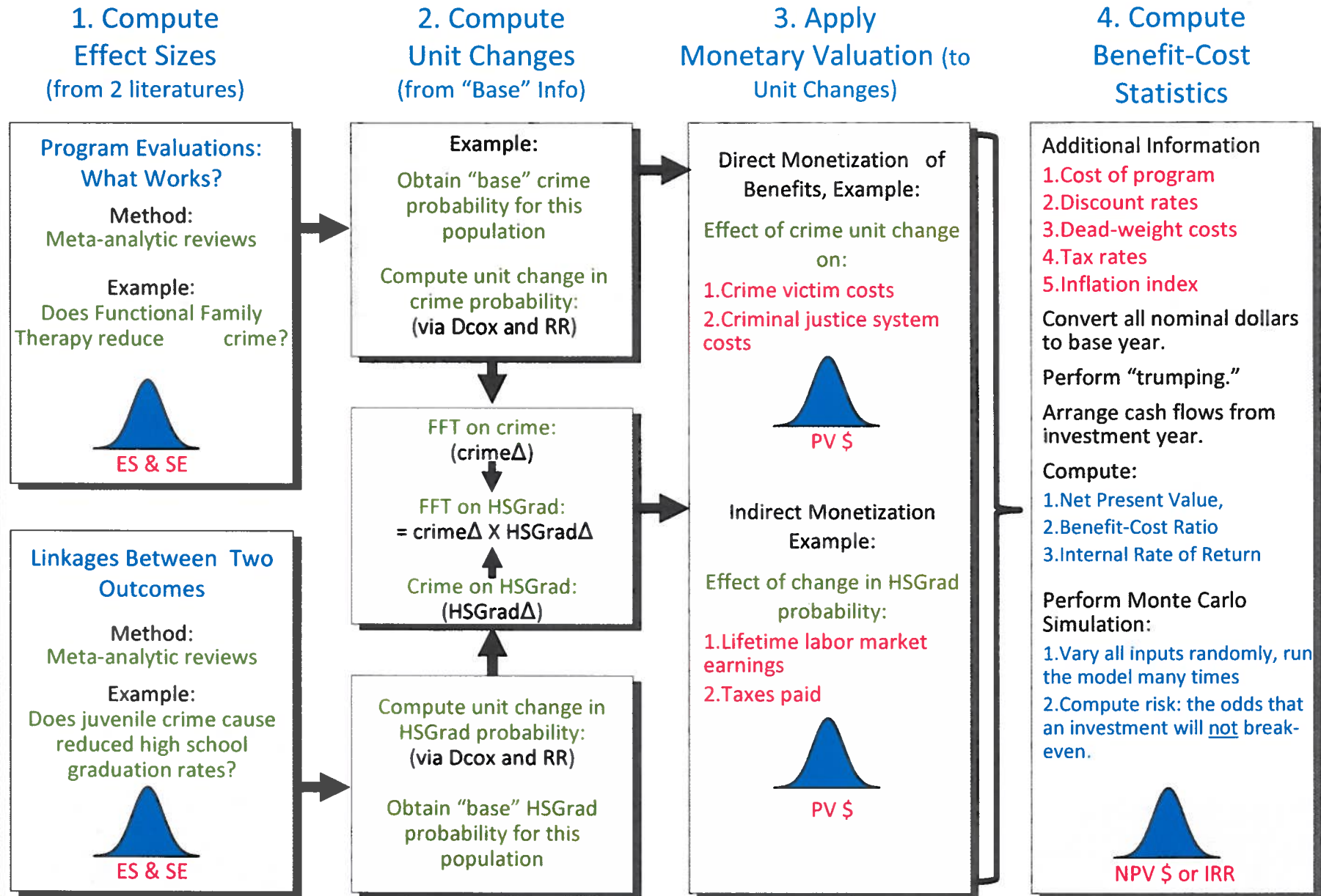


Approach in a nutshell

- 1. Aggregate best national research to identify evidence-based programs that are effective**
- 2. Estimate these programs' impact if implemented in Vermont, based on the state's population characteristics**
- 3. Use Vermont fiscal data to estimate total costs and benefits for each program**

Result - Predicted state return on investment for each program

Road Map: Overview of Benefit-Cost Model



Example: Functional Family Therapy
(Washington State - 2010 Dollars)

<u>Benefits Per Family (PV)</u>		<u>Main Source of Benefits</u>
Reduced crime	\$31,745	Lower CJ & victim costs
Increased high school graduation	\$5,686	Increased earnings
Reduced health care costs	\$307	Lower public costs
Total Benefits Per Family	\$37,739	
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Cost Per Family (PV)	\$3,190	
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Net Present Value	\$34,549	
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Benefits Per Dollar of Cost	\$11.86	
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Addendum (distribution of benefits)

- \$3,599 = Benefits to participant
- \$8,336 = Benefits to taxpayers
- \$21,636 = Benefits to others (crime victims)
- \$4,167 = Other benefits

Example: Nurse Family Partnership
(Washington State data and 2010 dollars)

Benefits Per Family

Main Source of Benefits

Reduced child abuse and neglect	\$1,031	Lower state / victim costs
Educational gains	\$19,590	Increased earnings
Reduced crime	\$5,580	Lower state / victim costs
Health care & mental health	\$5,246	Increased earnings
Public Assistance	\$637	Reduced payments
Increased K-12 costs	-\$1,820	Special ed & grade rep.
Reduced substance abuse	\$61	Earnings, health care \$

Total Benefits Per Family **\$30,325**

Cost Per Family **\$9,421**

Benefits Per Dollar of Cost **\$3.23**

Can then rank programs in a "Consumer Reports" lists

Exhibit 4

Reducing Crime With Evidence-Based Options: What Works, and Benefits & Costs

Washington State Institute for Public Policy Estimates as of October, 2006	Effect on Crime Outcomes Percent change in crime outcomes. A plus sign indicates an increase; a minus sign indicates a decrease. Based on 100 parolees/clients.	Benefits and Costs (Per Participant, Net Present Value, 2006 Dollars)			
		Crime Victims (of the reduction in crime)	Taxpayers (of the reduction in crime)	Costs (margin 4 program cost, zero percent to the cost of alternative)	Benefits (total) Minus Costs (net benefits)
Notes:		(1)	(2)	(3)	(4)
Programs for People in the Adult Offender System					
Vocational education in prison	-9.0% (4)	\$8,114	\$6,806	\$1,182	\$13,738
Intensive supervision, treatment-oriented programs	-16.7% (11)	\$9,318	\$9,369	\$7,124	\$11,863
General education in prison (basic education or post-secondary)	-7.0% (17)	\$6,325	\$5,306	\$982	\$10,089
Cognitive-behavioral therapy in prison or community	-6.3% (23)	\$5,858	\$4,748	\$105	\$10,290
Drug treatment in community	-5.3% (8)	\$5,133	\$5,495	\$574	\$10,054
Correctional industries in prison	-5.9% (4)	\$5,350	\$4,496	\$417	\$9,439
Drug treatment in prison (therapeutic communities or outpatient)	-5.7% (20)	\$5,133	\$4,306	\$1,604	\$7,836
Adult drug courts	-8.0% (7)	\$4,395	\$4,705	\$433	\$4,787
Employment and job training in the community	-4.3% (16)	\$2,373	\$2,385	\$400	\$4,359
Electronic monitoring to offset jail time	0% (9)	\$0	\$0	-\$870	\$970
Sex offender treatment in prison with aftercare	-7.0% (8)	\$6,422	\$2,885	\$12,585	-\$3,252
Intensive supervision, surveillance-oriented programs	0% (23)	\$0	\$0	\$3,747	-\$3,747
Washington's Dangerousness Mentality III Offender program	-20.0% (1)	\$18,020	\$15,116	n/a	n/a
Drug treatment in jail	-4.5% (9)	\$2,481	\$2,655	n/a	n/a
Adult boot camps	0% (2)	\$0	\$0	n/a	n/a
Domestic violence education/cognitive-behavioral treatment	0% (9)	\$0	\$0	n/a	n/a
Jail diversion for mentally ill offenders	0% (1)	\$0	\$0	n/a	n/a
Life Skills education programs for adults	0% (4)	\$0	\$0	n/a	n/a
Programs for Youth in the Juvenile Offender System					
Multidimensional Treatment Foster Care (v. regular group care)	-22.0% (3)	\$51,828	\$32,915	\$6,945	\$77,708
Adolescent Diversion Project (for lower risk offenders)	-19.9% (8)	\$24,328	\$18,208	\$1,913	\$40,023
Family Integrated Transitions	-13.0% (1)	\$30,708	\$19,502	\$9,655	\$40,545
Functional Family Therapy on probation	-15.9% (7)	\$19,529	\$14,617	\$2,325	\$31,821
Multisystemic Therapy	-10.5% (10)	\$12,855	\$8,622	\$4,264	\$10,213
Aggression Replacement Training	-7.3% (4)	\$8,897	\$8,659	\$897	\$14,980
Team courts	-11.1% (6)	\$8,807	\$4,238	\$638	\$9,208
Juvenile boot camp to offset institution time	0% (14)	\$0	\$0	-\$8,077	\$8,077
Sex offender cognitive-behavioral treatment	-10.2% (5)	\$32,515	\$8,377	\$33,084	\$7,820
Restorative justice for low-risk offenders	-8.7% (21)	\$4,828	\$3,320	\$580	\$7,087
Intracounty coordination programs	-2.5% (15)	\$3,084	\$2,308	\$205	\$5,188
Juvenile drug courts	-3.5% (15)	\$4,232	\$3,167	\$2,777	\$4,027
Regular surveillance-oriented parole (v. no parole supervision)	0% (2)	\$0	\$0	\$1,201	-\$1,201
Juvenile intensive probation supervision programs	0% (3)	\$0	\$0	\$1,598	-\$1,598
Juvenile wilderness challenge	0% (9)	\$0	\$0	\$3,085	-\$3,085
Juvenile intensive parole supervision	0% (10)	\$0	\$0	\$6,480	-\$6,480
Scared Straight	+8.6% (10)	-\$8,355	-\$6,253	\$58	-\$14,667
Counseling/psychotherapy for juvenile offenders	-18.9% (6)	\$23,128	\$17,309	n/a	n/a
Juvenile education programs	-17.5% (3)	\$41,181	\$26,153	n/a	n/a
Other family-based therapy programs	-12.2% (12)	\$15,006	\$11,221	n/a	n/a
Team Child	-10.9% (2)	\$5,759	\$4,131	n/a	n/a
Juvenile behavior modification	-8.2% (4)	\$19,271	\$12,238	n/a	n/a
Life skills education programs for juvenile offenders	-2.7% (3)	\$6,441	\$4,091	n/a	n/a
Diversion progs. with services (v. regular juvenile courts)	-2.7% (20)	\$1,441	\$1,034	n/a	n/a
Juvenile cognitive-behavioral treatment	-2.5% (8)	\$3,123	\$2,337	n/a	n/a
Court supervision vs. simple release without services	0% (9)	\$0	\$0	n/a	n/a
Diversion programs with services (v. simple release)	0% (7)	\$0	\$0	n/a	n/a
Juvenile intensive probation (as alternative to incarceration)	0% (5)	\$0	\$0	n/a	n/a
Guided Group Interaction	0% (4)	\$0	\$0	n/a	n/a
Prevention Programs (Crime Reduction Effects Only)					
Nurse Family Partnership	-58.2% (1)	\$11,531	\$8,181	\$5,409	\$14,283
Nurse Family Partnership-Children	-18.4% (1)	\$8,832	\$4,922	\$733	\$12,822
Pre-K education for low income 3 & 4 year olds	-14.2% (8)	\$8,145	\$4,644	\$693	\$12,199
Seattle Social Development Project	-18.6% (1)	\$1,605	\$4,341	n/a	n/a
High school graduation	-10.4% (1)	\$1,738	\$2,851	n/a	n/a
Guiding Good Choices	-9.1% (1)	\$570	\$2,092	n/a	n/a
Parent-Child Interaction Therapy	-3.7% (1)	\$268	\$784	n/a	n/a
Program types in need of additional research & development before we can conclude they do or do not reduce crime outcomes:					
Programs needing more research for people in the adult offender system					
Case management in the community for drug offenders	0% (13)				
OSBA (Faith-based supervision of sex offenders)	-22.3% (1)				
Day fines (compared to standard probation)	0% (1)				
Domestic violence courts	0% (2)				
Faith-based programs	0% (5)				
Intensive supervision of sex offenders in the community	0% (4)				
Medical treatment of sex offenders	-21.4% (1)				
Misad treatment of sex offenders in the community	0% (2)				
Regular parole supervision vs. no parole supervision	0% (1)				
Restorative justice programs for lower risk adult offenders	0% (6)				
Therapeutic community programs for mentally ill offenders	-20.9% (2)				
Work release programs (from prison)	-4.3% (4)				
Programs needing more research for youth in the juvenile offender system					
Dialectical Behavior Therapy	0% (1)				
Increased drug testing (on parole) vs. minimal drug testing	0% (1)				
Juvenile curfews	0% (1)				
Juvenile day reporting	0% (2)				
Juvenile job programs	0% (3)				
Juvenile therapeutic communities	0% (1)				
Monitoring in juvenile justice	0% (1)				

What Works Best?

What Doesn't?

What Can Give Taxpayers a Good Return on Their Money?

Given the Current Level of Rigorous Research, What Don't We Know?

Example Criminal Justice Program Ranking



Based on Washington State data

Benefits less costs,
per-person, life cycle

Adult Offenders

	Change In Crime	
Supervision with treatment	-18%	\$15,079
Prison Education	-8%	\$13,555
Cognitive-Behavioral Treatment	-7%	\$12,037
Drug Treatment in Prison	-6%	\$9,588
Adult Drug Courts	-9%	\$6,264
Supervision only	-2%	-\$2,174

Juvenile Offenders

Functional Family Therapy	-18%	\$32,021
Multi-Systemic Therapy	-13%	\$18,120
Aggression Replacement	-9%	\$15,257
Family Transitions	-10%	\$29,721
Therapeutic Foster Care	-18%	\$64,486

Policy areas in model



- **Criminal Justice**
- **K-12 Education**
- **Child Welfare**
- **Substance Abuse**
- **Mental Health**
- **Public Assistance**
- **Housing**
- **Teen Birth Prevention**
- **Public Health**

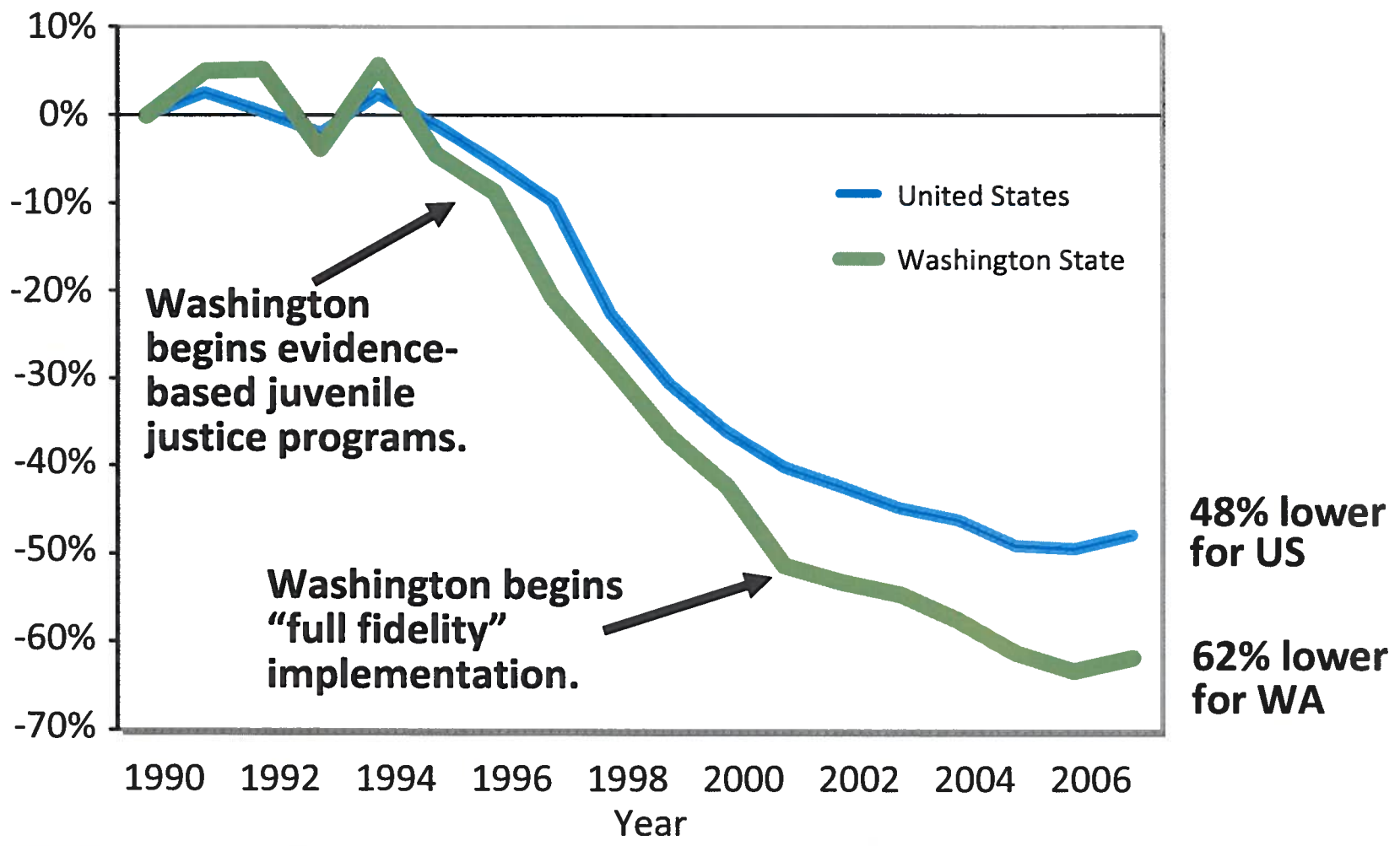
Model successfully used in Washington State



- **Developed by Washington State Institute for Public Policy**
- **Washington has used models for many years to help achieve better outcomes at lower costs in many policy areas**
 - **Example - criminal justice: Washington State has avoided \$1.3 billion per biennium AND achieved a lower crime rate**

Keeping Track of Results: Juvenile Arrest Rates

Change since 1990 in the United States and in Washington (WA) State



Pew's Results First initiative



- **Provides model to state**
- **Trains staff in the approach**
- **Provides technical assistance in getting the model up and running**
- **Helps interpret results for policy makers**
- **Compiles and shares lessons learned with other participating states**
- **Periodically updates models**

For more information



Pewcenteronthestates.org - Results First

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