Results First:
Cost-benefit analysis policy models – an idea whose time has come

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Director, Results First
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
Cost benefit analysis is critical...now

- States are facing incredible fiscal pressures - budget gaps of $500 billion since start of Great Recession

- Over $30 billion in gaps already estimated for the next fiscal year

- State revenues are starting to grow, but costs are growing much faster

- States will suffer major cuts in federal funding under any deficit reduction scenario

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The coming survival of the fittest

• Programs that cannot demonstrate that they produce net quantifiable benefits will be cut
  – Few cows will be sacred - evidence-based programs will not be spared unless they can demonstrate results
  – Needed investments will not be made unless they can convincingly demonstrate benefits

• Cost benefit analysis can provide this critical evidence and be highly persuasive in the policy arena
• Pew is helping states implement cutting-edge cost-benefit analysis models that analyze key state policy areas

• Enables states to analyze a wide range of policy choices and identify options that maximize outcomes AND reduce costs

• Models assess individual programs and portfolios of related policies
CBA approach is critical

- Enables states to analyze the net policy AND fiscal effects of a wide range of policy choices

- Identifies options for reinvesting savings from cutting ineffective programs into programs and policies that work

- Enables states to use comprehensive, evidence-based approach to policy and budget choices
## Analyze net effects and balance policy choices

<table>
<thead>
<tr>
<th>Policy/Budget Choice</th>
<th>Fiscal Impact</th>
<th>Crime Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Invest in evidence based programs</strong></td>
<td>Spend money up front</td>
<td>Decrease crime</td>
</tr>
<tr>
<td><strong>B. Reduce prison average daily population</strong></td>
<td>Save Money</td>
<td>Increase crime</td>
</tr>
<tr>
<td><strong>C. Do smart combination of A and B</strong></td>
<td>NET Save money</td>
<td>NET Lower crime rate</td>
</tr>
</tbody>
</table>

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Approach in a nutshell

1. Aggregate best national research to identify evidence-based programs that work

2. Apply research estimates of program impact to state population

3. Use fiscal data to estimate total costs and benefits for each program

Result - Predicted return on investment for both individual programs and portfolios

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## Functional Family Therapy: Return on Investment (2010 Dollars)

<table>
<thead>
<tr>
<th>Benefits Per Family (PV)</th>
<th>Main Source of Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced crime</td>
<td>Lower CJ &amp; victim costs</td>
</tr>
<tr>
<td>Increased high school graduation</td>
<td>Increased earnings</td>
</tr>
<tr>
<td>Reduced health care costs</td>
<td>Lower public costs</td>
</tr>
</tbody>
</table>

### Total Benefits Per Family

$37,739

### Cost Per Family (PV)

$3,190

### Net Present Value

$34,549

### Benefits Per Dollar of Cost

$11.86  (= 641% ROI)

### 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

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## Portfolio crime model outputs

### Adult Offenders

<table>
<thead>
<tr>
<th>Service</th>
<th>Crime Impact</th>
<th>Net benefits per-person (Probability: you lose $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive-Behavioral Treatment</td>
<td>-7%</td>
<td>$12,037 (&lt;1%)</td>
</tr>
<tr>
<td>Adult Drug Courts</td>
<td>-9%</td>
<td>$6,264 (&lt;1%)</td>
</tr>
<tr>
<td>Prison Education</td>
<td>-8%</td>
<td>$13,555 (&lt;1%)</td>
</tr>
<tr>
<td>Drug Treatment in Prison</td>
<td>-6%</td>
<td>$9,588 (&lt;1%)</td>
</tr>
<tr>
<td>Release w/Surveillance</td>
<td>-2%</td>
<td>-$2,174 (≈82%)</td>
</tr>
<tr>
<td>Release w/Treatment</td>
<td>-18%</td>
<td>$15,079 (≈11%)</td>
</tr>
</tbody>
</table>

### Juvenile Offenders

<table>
<thead>
<tr>
<th>Service</th>
<th>Crime Impact</th>
<th>Net benefits per-person (Probability: you lose $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Family Therapy</td>
<td>-18%</td>
<td>$32,021 (&lt;1%)</td>
</tr>
<tr>
<td>Multisystemic Therapy</td>
<td>-13%</td>
<td>$18,120 (&lt;1%)</td>
</tr>
<tr>
<td>Aggression Replacement</td>
<td>-9%</td>
<td>$15,257 (&lt;1%)</td>
</tr>
<tr>
<td>Family Transitions</td>
<td>-10%</td>
<td>$29,721 (≈5%)</td>
</tr>
<tr>
<td>Therapeutic Foster Care</td>
<td>-18%</td>
<td>$64,486 (&lt;1%)</td>
</tr>
</tbody>
</table>

### Prevention*

<table>
<thead>
<tr>
<th>Service</th>
<th>Crime Impact</th>
<th>Net benefits per-person (Probability: you lose $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-School* (low income)</td>
<td>-17%</td>
<td>$+++* (n/a)</td>
</tr>
<tr>
<td>Nurse Family Partnership*</td>
<td>-16%</td>
<td>$+++* (n/a)</td>
</tr>
</tbody>
</table>

* Programs have a number of other non-crime benefits; only crime-reduction reported here.
Policy areas in model

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

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Results First

- Provides models to states
- Trains staff in using cost-benefit analysis
- Provides technical assistance in getting the models up and running
- Helps interpret results for policy makers
- Compiles and shares lessons learned with participating states
- Periodically updates models

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Our goal

• Deploy models in 6-10 states over next two years – Six states currently implementing

• Help states build approach into their policy and budget processes

• Build learning community of Results First states

• Identify opportunities to build cost-benefit models in additional policy areas
Pewcenteronthestates.org - Results First

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