

THE
PEW
CHARITABLE TRUSTS

MacArthur
Foundation

**Results First: Focusing on
Outcomes**
**(and making audits much more
useful)**

March 6, 2014

The Challenge

- Our governments spend huge sums of money to address problems, often with poor outcomes
- Why?
 - Politics?
 - Nothing works?
 - We aren't spending enough?

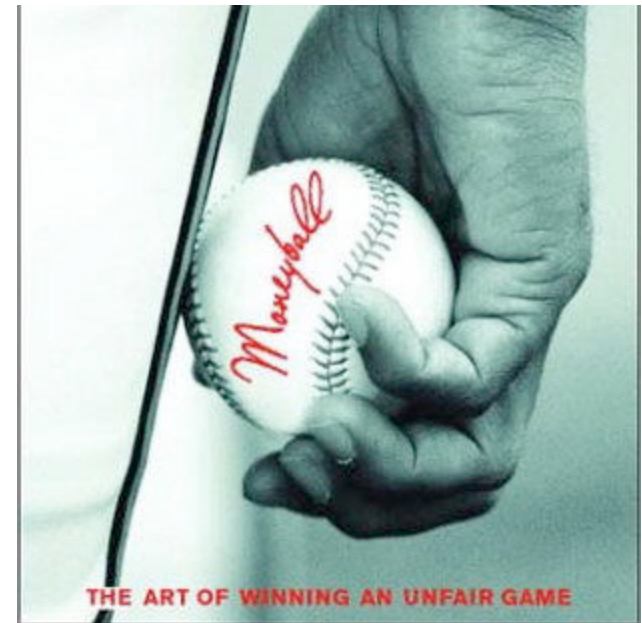


Governments Lack Key Information

- **Insufficient data on:**
 - What programs are funded
 - What each costs
 - What they accomplish
 - How they compare
- **Audits are intended to address these challenges**
- **New tools are now available to help do this**



The Solution



The solution – incorporate the Results First approach into audits

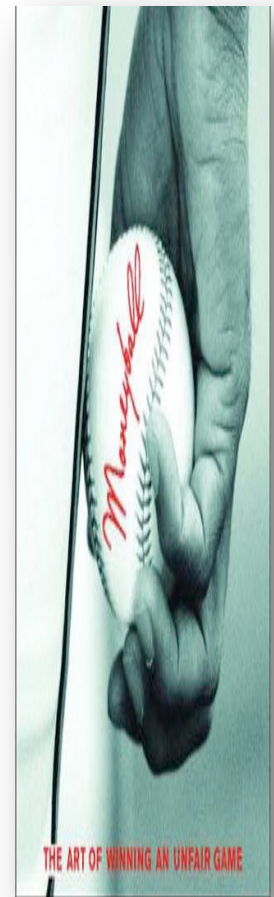
- Can analyze wide range of programs
- Predict program outcomes using national and state data
- Provide portfolio-wide assessments and rank programs by their return on investment



Fully consistent with Auditing Standards

- **1.03. Government auditing is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public. Audits provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the audit.”**

— Government Auditing Standards



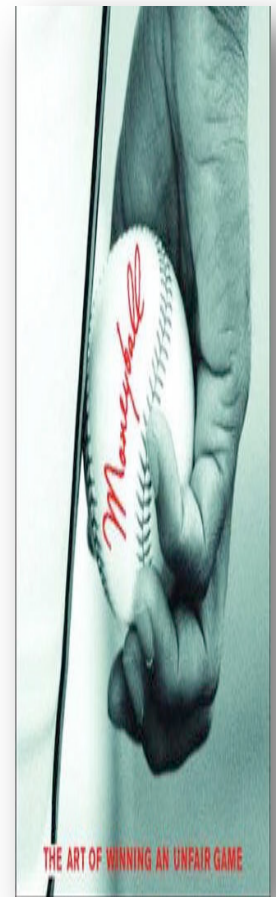
Fully consistent with GASB

- **Probity:** spending funds in compliance with approved budget and applicable laws
- **Process:** following prescribed processes in carrying out activities
- **Performance:** managing activities in an efficient and economical manner
- **Program: attaining desired program outcomes**
- **Policy: attaining overall policy goals**
 - – Government Accounting Standards Board, levels of accountability



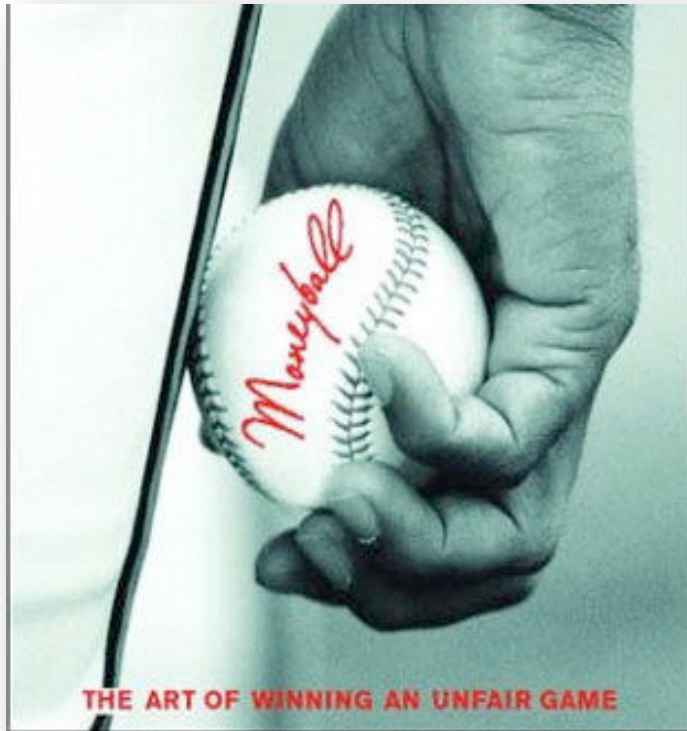
Resolves the Traditional Caveat

- It has been difficult to audit at higher accountability levels due limited benchmarks of programs outcomes
- **This is no longer the case**
- **Results First establishes performance benchmarks using rigorous, validated methodology**



How? Become Brad Pitt in Four Easy Steps!

1. Document program costs
2. Assess whether programs are evidence-based
3. Report return on investment using cost-benefit analysis
4. Assess whether programs are effectively implemented



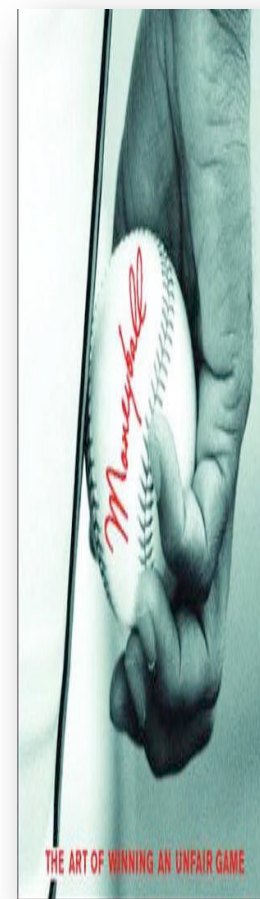
Step 1: Identify related costs (direct and indirect)

- **What does it cost to deliver the program?**
 - **Direct costs**
 - **Indirect costs**
 - **Marginal costs**



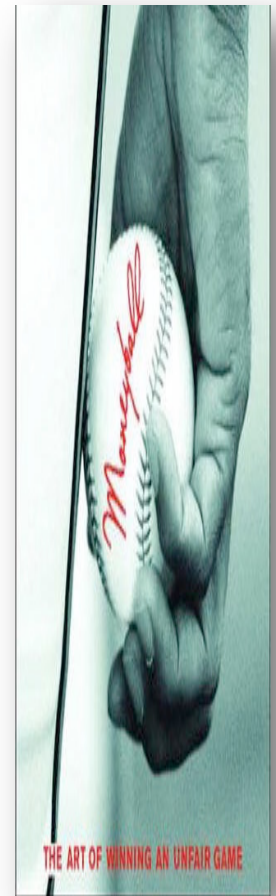
Audits already do this

- Many audits report programs' total costs
 - “Oregon appropriated \$13.6 million to the Inmate GED Program in FY 2012-13”
- Reporting unit costs of program services is more valuable
 - “The Department spent an average of \$44,800 dollars to provide GED services to each inmate during the year. The marginal cost to increase services would be \$11,600 per inmate.”



Step 2: Assess if programs are evidence-based

- It is important for policymakers to know if programs are evidence-based – much higher probability of successful outcomes
- How – compare programs to lists of evidence-based programs compiled by national clearinghouses/Results First



Step 3: Compute return on investment

- **Sub-steps**
 - **3a: Predict outcomes**
 - **3b: Monetize outcomes**
 - **3c: Compare costs and benefits and compute ROI**



Step 3a: Identify Outcomes

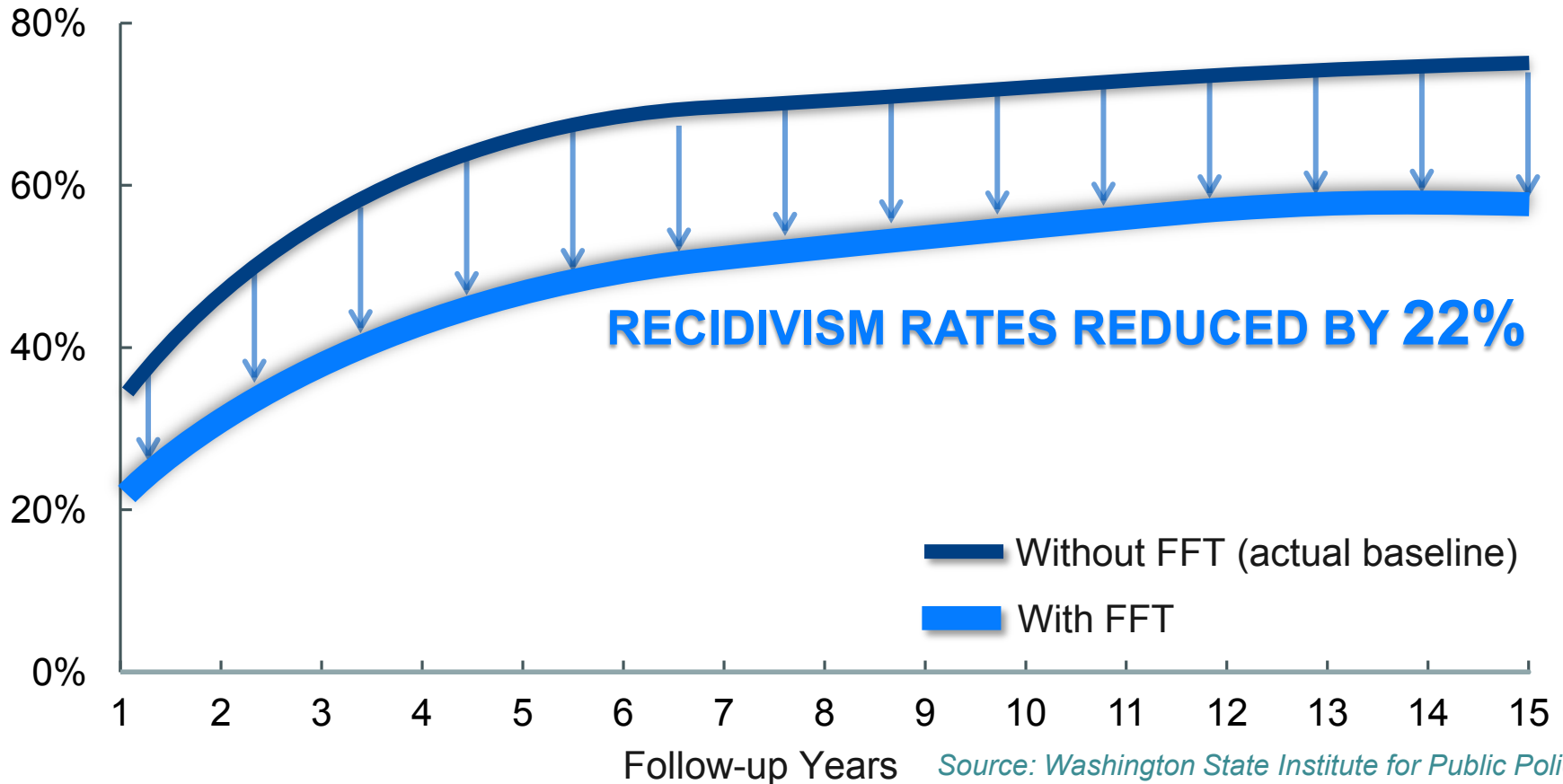
Can be done by **EITHER** conducting an performance audit, **OR** by reviewing nationwide studies of programs

- Outcome evaluations - very time consuming
- Nationwide studies - provide a proxy
 - National clearinghouses have identified proven evidence-based programs
 - Compiled findings provide basis for predicting outcomes



Meta-analysis of Functional Family Therapy

Recidivism Rate



3B: Use approach to monetize predicted outcomes

Crime example:

Taxpayer benefits

- Avoided costs of recidivism (arrest, adjudication, and incarceration)

Victimization benefits

- Avoided victimizations

Step 3c: Compare costs and benefits

- Sum program costs and predicted benefits
- Compute present value of costs and benefits
- Compare them (costs/benefits)
- Do sensitivity analysis



Cost-Benefit of Functional Family Therapy

BENEFITS PER FAMILY	WA STATE 2010 DOLLARS	MAIN SOURCE OF BENEFITS
Reduced crime		Lower state & victim costs
Increased high school graduation		Increased earnings
Reduced health care costs		Lower public costs
Total Benefits Per Family		

Cost Per Family

\$3,190

Cost-Benefit of Functional Family Therapy

BENEFITS PER FAMILY	WA STATE 2010 DOLLARS	MAIN SOURCE OF BENEFITS
Reduced crime	\$31,745	Lower state & victim costs
Increased high school graduation	\$5,686	Increased earnings
Reduced health care costs	\$307	Lower public costs
Total Benefits Per Family	\$37,739	
Cost Per Family	\$3,190	

Cost-Benefit of Functional Family Therapy

BENEFITS PER FAMILY	WA STATE 2010 DOLLARS	MAIN SOURCE OF BENEFITS
Reduced crime	\$31,745	Lower state & victim costs
Increased high school graduation	\$5,686	Increased earnings
Reduced health care costs	\$307	Lower public costs
Total Benefits Per Family	\$37,739	
Cost Per Family	\$3,190	
Net Present Value	\$34,549	
Benefits Per Dollar of Cost	\$11.86	

Cost-benefit of Nurse Family Partnership

BENEFITS PER FAMILY	WA STATE 2010 DOLLARS	MAIN SOURCE OF BENEFITS
Reduced crime & abuse	\$6,611	Lower state & victim costs
Educational gains	\$17,770	Increased earnings
Reduced public assistance costs	\$5,944	Lower public costs
Total Benefits Per Family	\$30,325	
Cost Per Family	\$9,421	
Net Present Value	\$20,904	
Benefits Per Dollar of Cost	\$3.23	

How It Fits Together: program portfolio assessment

POLICY/PROGRAM

Intensive supervision (only)

Mental health court

Community drug treatment

Correctional education in prison

Work release

Cognitive behavioral therapy

Community job training & aid

JUVENILE PROGRAMS

Functional Family Therapy

Aggression replacement training

Coordination of services

Scared Straight

**Washington State 2012 dollars*

Step 1: Analyze program costs

POLICY/PROGRAM	COST
Intensive supervision (only)	\$4,140
Mental health court	\$2,935
Community drug treatment	\$1,602
Correctional education in prison	\$1,128
Work release	\$661
Cognitive behavioral therapy	\$412
Community job training & aid	\$135
JUVENILE PROGRAMS	
Functional Family Therapy	\$3,262
Aggression replacement training	\$1,508
Coordination of services	\$395
Scared Straight	\$65

**Washington State 2012 dollars*

Step 2: Identify program benefits

POLICY/PROGRAM	COST	LONG-TERM BENEFITS
Intensive supervision (only)	\$4,140	-\$578
Mental health court	\$2,935	\$20,424
Community drug treatment	\$1,602	\$17,711
Correctional education in prison	\$1,128	\$21,426
Work release	\$661	\$7,117
Cognitive behavioral therapy	\$412	\$9,695
Community job training & aid	\$135	\$5,501
JUVENILE PROGRAMS		
Functional Family Therapy	\$3,262	\$70,370
Aggression replacement training	\$1,508	\$62,947
Coordination of services	\$395	\$5,501
Scared Straight	\$65	-\$4,949

**Washington State 2012 dollars*

Step 3: Compare costs and benefits

POLICY/PROGRAM	COST	PREDICTED BENEFITS	COST/BENEFIT RATIO
Intensive supervision (only)	\$4,140	-\$578	-\$0.14
Mental health court	\$2,935	\$20,424	\$6.96
Community drug treatment	\$1,602	\$17,711	\$11.05
Correctional education in prison	\$1,128	\$21,426	\$19.00
Work release	\$661	\$7,117	\$10.77
Cognitive behavioral therapy	\$412	\$9,695	\$23.55
Community job training & aid	\$135	\$5,501	\$40.76
JUVENILE PROGRAMS			
Functional Family Therapy	\$3,262	\$70,370	\$21.57
Aggression replacement training	\$1,508	\$62,947	\$41.75
Coordination of services	\$395	\$5,501	\$13.94
Scared Straight	\$65	-\$4,949	-\$76.35

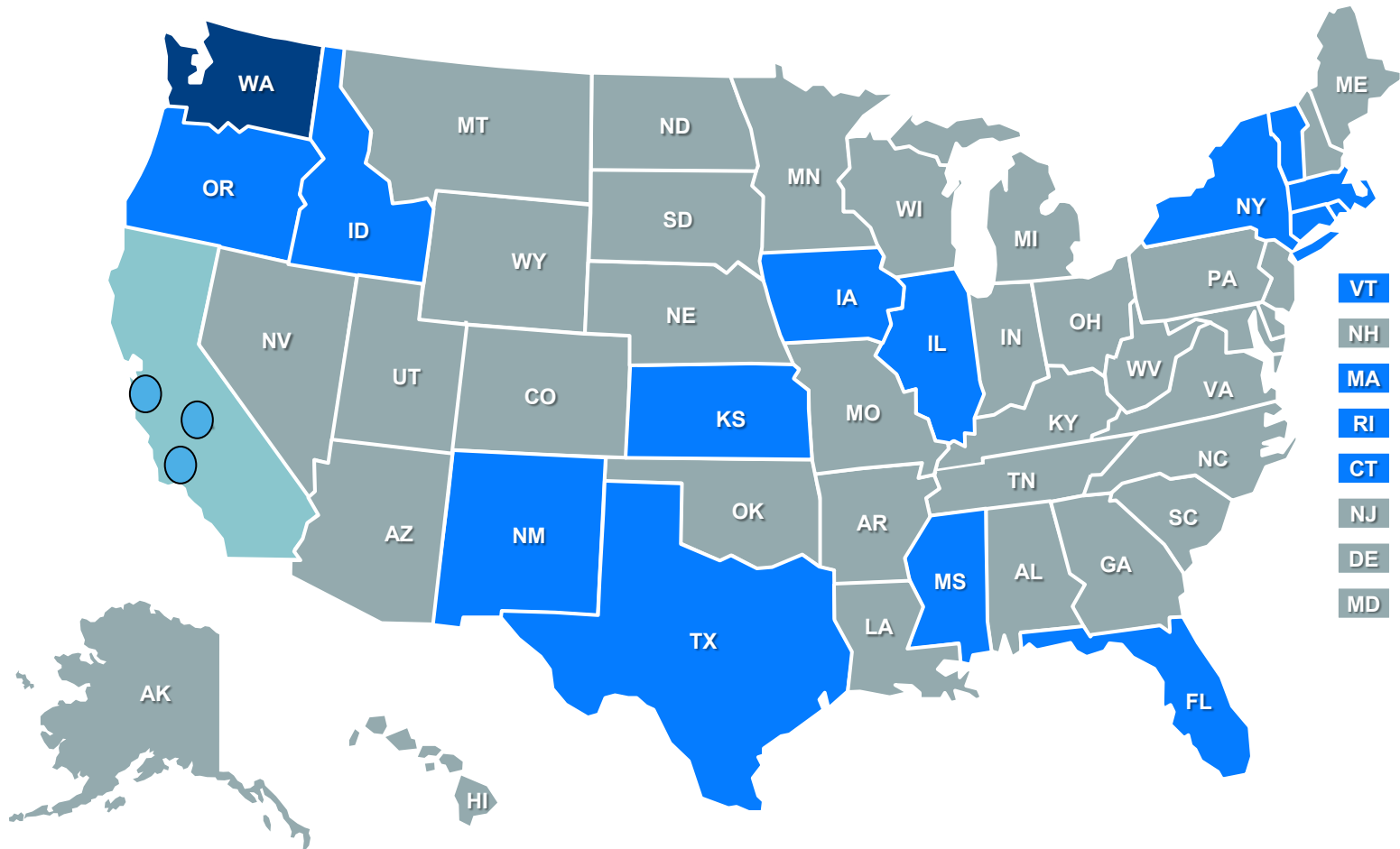
**Washington State 2012 dollars*

Step 4: Assess program implementation

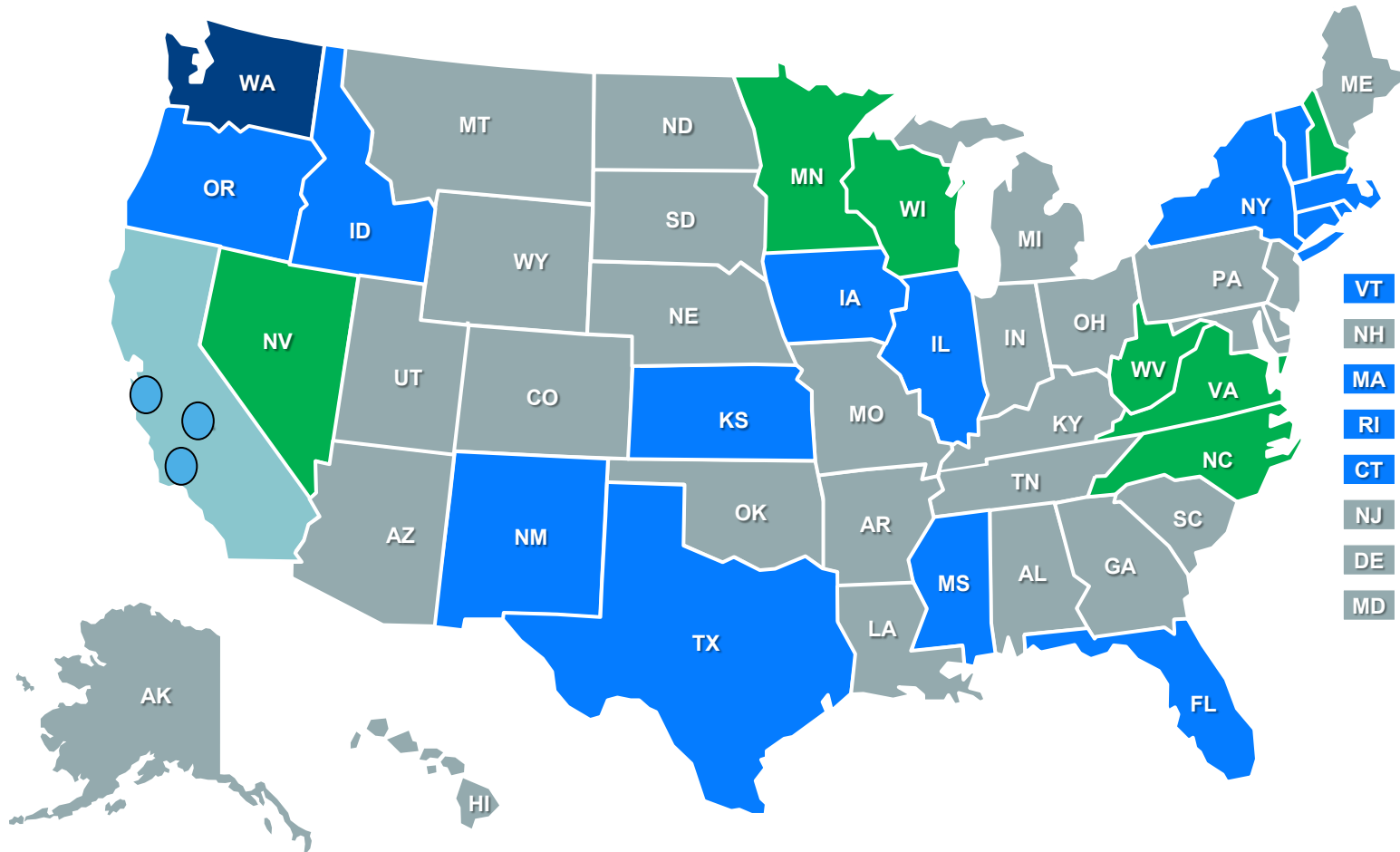
- Many programs based on national models
- Predicted outcomes are hugely affected by fidelity to program model
 - Programs that stray from intended design can have negative outcomes
- Audits can report if agencies are faithfully adhering to program models
- How – compare programs to models



Participation in Results First



Participation in Results First



Impact in Washington State

- 15+ years of using approach to help steer budget decisions
- Have achieved better outcomes at lower costs

LOWERED CRIME RATE and achieved
\$2.7 BILLION in higher long-term benefits

New Mexico

- **Legislative evaluation/audit office spearheads initiative**
- **Implemented Results First in all available policy areas**
- **2013 Legislature used approach to target \$18M in funding to evidence-based programs**

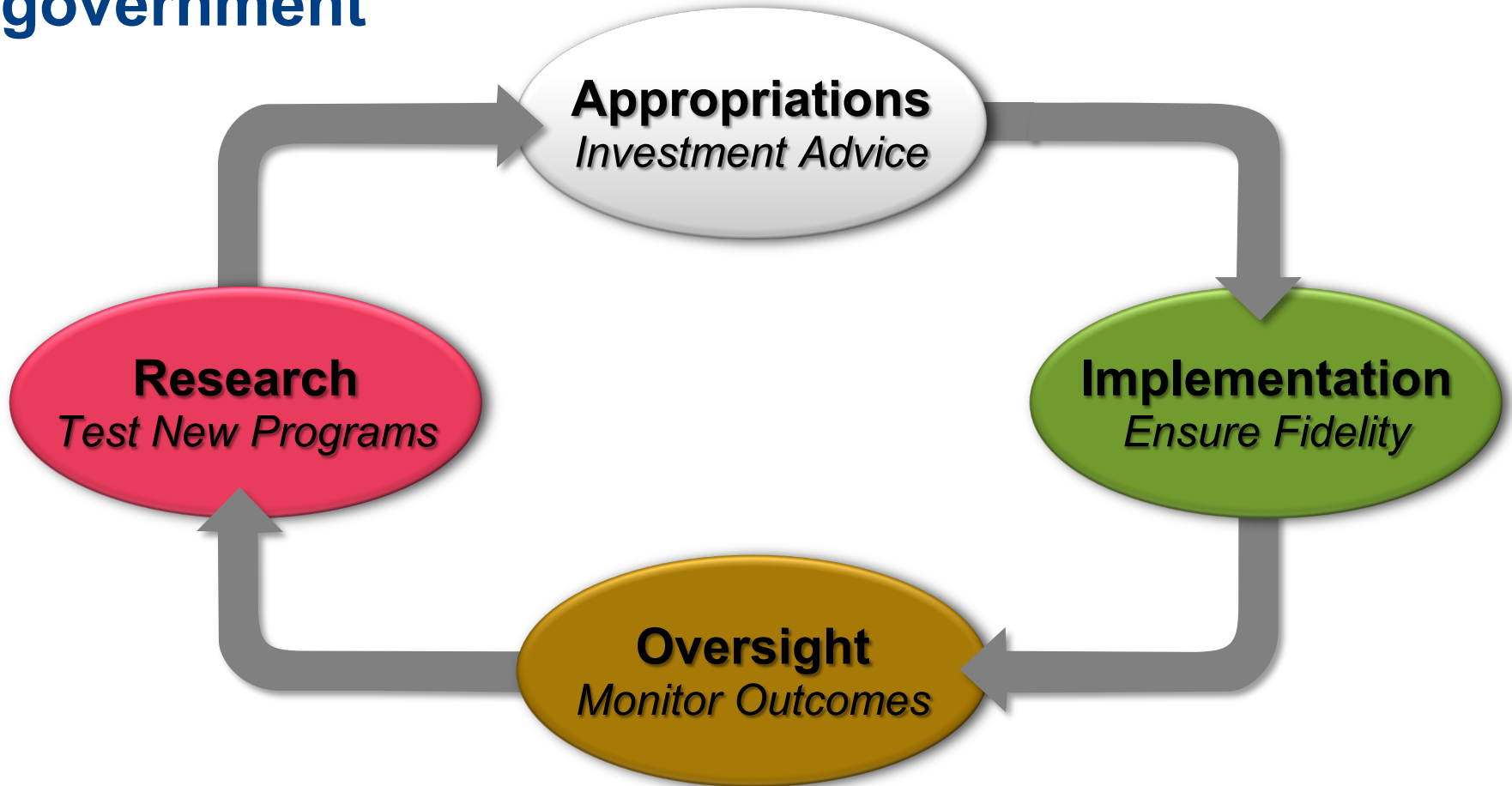


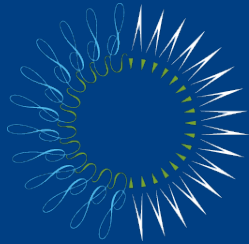
Mississippi

- **Legislative evaluation/audit office spearheading initiative**
- **Using approach to re-energize performance budgeting system**
- **Currently assessing criminal justice and education programs**



Audits can become critical part of business of government





THE
PEW
CHARITABLE TRUSTS

MacArthur
Foundation

www.pewstates.org/ResultsFirst