



The EB-Advocate

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Letter from the Editor

Rethinking how to finance social outcomes

As our friends “across the pond” spend more time and resources getting serious about how private investors can tackle deep-rooted societal issues, which usually become the first to fall victim to government program cuts, they are coming up with some innovative ideas; one in particular known as social impact bonds.

In this issue of the *EB-Advocate*, we highlight examples of how implementing more projects like our award-winning Redirection project can provide the exact results the United Kingdom is searching for.

As noted by the Social Finance Groups’ August 2010 report, the group that conceptualized this new contracting and financing mechanism, social impact bonds ‘seek to drive significant non-government investment into addressing the causes of deep-rooted social problems with returns generated from a proportion of the related reduction in spending on acute services. The ambition is to create positive government spending cycles that enable significant tax payer savings through improved social outcomes.’

Social impact bonds are based on a commitment from government to use a portion of the savings that result from improved social outcomes to reward non-government, private individuals and venture capital investors who fund the early intervention activities.

Ironically, EBA’s Redirection project in Florida offers an ideal template for application of this creative approach to financing government services. Recently noted in a report from the Southern Poverty Law Center and Florida’s Tax Watch organization, Redirection is a project that produces better outcomes than incarceration at significantly less cost, saving the state more than \$50 million over the past five years while improving public safety.

With EBA’s performance-based contracts business model, if a private investor wanted to fund the early intervention activities of a project

like Redirection with the social bond structure, the government would use a proportion of the savings that result from improved social outcomes to reward the investors. Everyone wins with better outcomes for the youth and families served, government systems and taxpayers who traditionally bear the responsibilities and costs and the private investors who carry the initial financial risk.

Recently, I was invited by Michael Little and his colleagues at the renowned Social Research Unit at Dartington to visit the United Kingdom to share my thoughts and experiences on ways the country can address the causes instead of the consequences of issues that have vexed us for generations. While our cultures, political and governments systems are different, we do share common commitment to improving outcomes for vulnerable children through careful application of cost-effective programs.

While this area of social impact bonds is still being explored, it is becoming clear that financial and social goals need not be mutually exclusive. If we can break through traditional boundaries of “socially responsible investment,” and implement properly with integrity and efficiency, this exciting and innovative concept of impact investing has the potential to completely change our definition of ‘public-private partnerships.’



Clay Yeager has served the interests of at-risk children for more than 30 years in the public, private and nonprofit sectors. Yeager was the first recipient of the ‘Visionary of Pennsylvania Award’ for his role as one of the principal architects of the Commonwealth’s far-reaching and coordinated evidence-based prevention strategies - recognized as some of the most comprehensive in the nation. Yeager has spoken to groups and organizations around the globe on the importance of utilizing prevention programs that work on behalf of children. He currently manages his own consulting firm, promoting the healthy development of children by establishing partnerships between the public, private and nonprofit systems. He is a consultant for Evidence-Based Associates and serves as editor of the *EB-Advocate*.

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The *EB-Advocate* is a quarterly publication created by Evidence-Based Associates to spotlight community-based, model programs for at-risk youth, as well as the people and the news that surrounds them. Advertising opportunities are available. Requests to be added to the *EB-Advocate* mailing list can be made by visiting: www.evidencebasedassociates.com.

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About Evidence-Based Associates

Evidence-Based Associates' (EBA) mission is to facilitate reform in state-based, juvenile justice systems through the use of performance-based contracts in order to reduce costs and improve outcomes. As more youth continue to be ordered into expensive and often ineffective out-of-home placement, detention centers and residential treatment facilities, EBA recognizes the need to provide guidance and services that will support system reform while substantially reducing costs and improving results.

Redirection Yields Better Outcomes for Youth and Safer Communities at Lower Costs

Report Proposes Florida Can Save Millions by Using Alternative Community-Based Programs like Redirection vs. Sending Youth to Prison

The Florida Department of Juvenile Justice (DJJ) could save \$49 million by reducing its over-reliance on costly child incarceration facilities and should invest more resources into alternative, community-based rehabilitation programs such as Redirection, according to a new report presented to Gov. Rick Scott's transition team.



The report, sponsored by Florida TaxWatch and the Southern Poverty Law Center (SPLC), indicated that the \$240 million the state spends on residential facilities each year for children who commit non-violent offenses is not making Florida safer, but instead more vulnerable. Children also stay in residential facilities too long, increasing the possibility that they will commit violent offenses in the future.

"Redirection will not only save the taxpayers tens of millions of dollars but will improve outcomes for children and families while strengthening and protecting the workforce of tomorrow," said Dominic M. Calabro, president and CEO of Florida TaxWatch. "We look forward to working with the new administration and the legislature to expand these common sense policies - and many more - that must be addressed if we are to succeed in improving public safety while making government more efficient and effective."

Key findings from the report include:

- The DJJ's over-reliance on residential facilities has compromised public safety and hurt Florida's finances. Residential facilities have higher recidivism, or re-offender, rates than community-based alternatives.
- 71 percent of children confined in residential facilities are non-violent offenders, and more than 1,100 have never committed a felony.
- The average length of stay increased by 30 percent from 2000 to 2008 - a trend that cost the state nearly \$20 million in 2009 and has been found to make a child more - not less - likely to commit a crime again.

- In 2006, when the most recent national survey was conducted, Florida incarcerated children at a rate 50 percent higher than the national average.
- Residential facilities cost the state \$109.22 per child per day for non-secure and \$155.98 per child per day for secure facilities - resources that could be better used to fund more effective and less expensive community-based interventions.
- By moving closer to its published best practices, DJJ could experience a \$49 million reduction to its residential budget, close more than 1,000 beds, and re-invest a portion of the savings in cost-effective community-based initiatives.
- Although probation reform helped lower commitments and save money, it seems to have stalled since 2007 - even though serious juvenile crime has dropped by 15 percent in the past three years alone.
- Expensive and intensive residential treatment should be reserved for serious offenders.

Florida has taken some preliminary steps to improve how juvenile justice resources are allocated, according to the report. Commitments to residential facilities have fallen 30 percent and the DJJ has closed more than 1,800 beds, which has saved the state \$85 million every year. Meanwhile, serious juvenile crime in Florida has dropped by 25 percent since 2006, the report showed.

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Secretary, Health and Human Services May 17, 2001



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Redirection is a less expensive, effective community-based project that has saved taxpayers more than \$51 million since 2005, according to the Office of Program Policy Analysis and Government Accountability (OPPAGA), the research and evaluation arm of the Florida Legislature. Since its inception, the Redirection project has provided alternative, effective treatments for more than 5,000 troubled youth and families. Redirection participants have a 31 percent reduction in arrests and 15 percent fewer violent felony arrests.

“Overseeing the implementation of the Redirection project has been a testament to everything that we stand for at Evidence-Based Associates,” explains Dan Edwards, the company’s president. “Our focus is working with state-based juvenile justice systems to reduce costs and improve outcomes. We are honored to have partnered with DJJ to create such an impressive, sound business model and are hopeful that other states will follow Florida’s lead.”

Instead of locking up delinquent teens, Redirection provides family-focused treatment in the child’s home. The project strives to keep families together and help youth avoid incarceration and other out-of-home programs like detention centers and prison. Redirection’s success can be attributed to the three evidence-based therapy models used by therapists - Multisystemic Therapy (MST), Functional Family Therapy (FFT) and Brief Strategic Family Therapy (BSFT).

The New York Times

For Federal Programs, a Taste of Market Discipline

By: David Leonhardt

Wouldn’t it be nice if taxpayers could somehow get a refund for government programs that didn’t work?

Instead, the opposite tends to happen. Programs that fail to make a difference – like many of those that train workers for new jobs – endure indefinitely. Often, policy makers don’t even know which work and which don’t, because rigorous evaluation is rare in government. And competition, which punishes laggards in the private sector, is typically absent in the public sector.

But there is some good news on this front. Lately, both American and British policy makers have been thinking about how to bring some of the competitive discipline of the market to government programs, and they have hit on an intriguing idea.

David Cameron’s Conservative government in Britain is already testing it, at a prison 75 miles north of London. The Bloomberg administration in New York is also considering the idea, as is the State of Massachusetts. Perhaps most notably, President Obama next week will propose setting aside \$100 million for seven such pilot programs, according to an administration official.

The idea goes by one of two names: pay for success bonds or social impact bonds. Either way, nonprofit groups like foundations pay the initial money for a new program and also oversee it, with government approval. The government will reimburse them several years later, possibly with a bonus – but only if agreed-upon benchmarks show that the program is working.

Redirection began treating families in October 2004. The project has since grown to serve 19 of Florida’s 20 judicial circuits. For more information about the Redirection project, visit www.evidencebasedassociates.com.

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If it falls short, taxpayers owe nothing.

The first British test is happening at Her Majesty's Prison Peterborough, where 60 percent of the prisoners are convicted of another crime within one year of release. Depressingly enough, that recidivism rate is typical for a British prison.

To reduce the rate, a nonprofit group named Social Finance is playing a role akin to venture capitalist. It has raised about \$8 million from investors, including the Rockefeller Foundation. Social Finance also oversees three social service groups helping former prisoners find work, stay healthy and the like. If any of those groups starts to miss its performance goals, it can be replaced.

For the investors to get their money back starting in 2014 – with interest – the recidivism rate must fall at least 7.5 percent, relative to a control group. If the rate falls 10 percent, the investors will receive the sort of return that the stock market historically delivers. "It's been only a few months," says Tracy Palandjian, who recently opened a new Social Finance office in Boston, "but the numbers are coming in O.K."

Antony Bugg-Levine of the Rockefeller Foundation told me it had invested in the project for two main reasons. One, it expected to get its money back and then be able to reuse it. Two, if social impact bonds work, they have the potential to attract for-profit investors – and vastly expand the pool of capital that's available for social programs.

Clearly, social impact bonds have limitations. For starters, it's hard to see how private money could ever pay for multibillion-dollar programs like Medicaid or education.

Just as important, the execution of any bond program will be complicated. It will depend on coming up with the right performance measures, which is no small matter. Done wrong, the measures will end up rewarding programs lucky (or clever) enough to enroll participants who are more likely to succeed no matter what.

But whatever the caveats about the bonds, the potential for improving the government's performance is obviously huge. That's true in education, health care, criminal justice and many other areas.

A recent review found that 10 major social programs had been rigorously evaluated over the past two decades, using the scientific gold standard of random assignment. Only one of the 10 – Early Head Start, for infants, toddlers pregnant women – was a clear success. Yet all 10 still exist, and largely in their original form.

Jon Baron, the president of the Coalition for Evidence-Based Policy in Washington, points out that the social problems addressed by antipoverty programs have not gotten much better in years. School test scores have barely changed. College graduation rates for low-income students have stagnated. The poverty rate is as high as it was in 1981. Median household income is lower than it was in 1998.

"If we just keep funding social programs the way we have been," Mr. Baron says, "there's not a lot of reason to think we'll have much success."

The Obama administration's seven pilot programs would create bonds for, among other areas, job training, education, juvenile justice and care of children's disabilities. Nonprofit groups like Social Finance could apply. So could for-profit companies, said the White House official, who asked not to be named because the president had not yet released next year's budget. The \$100 million for the bonds would come out of the budgets of other programs, to stay consistent with Mr. Obama's announced freeze on non-security spending.

Officials in Massachusetts and New York are looking at similar ideas but have not yet decided whether they will issue bonds.

Beyond the impact of any single program, the bonds have the potential to nudge all government agencies to pay more attention to results. Mr. Obama, after all, campaigned as a reformer who wanted to create a sleek, efficient "iPod government." He has had some success, like the expansion of a program – backed by years of solid evidence – in which nurses go to the homes of new at-risk parents to counsel them.

Over all, though, the administration has not done enough to improve government efficiency. Put it this way: If someone asked you how Mr. Obama had made government work better, would you have an answer?

Making government work better will be all the more important in the years ahead. The free market is not going to solve many of our biggest problems, be it stagnant pay or spotty medical care. And government – in Washington and locally – is going to be financially squeezed for a long time.

There never was a good excuse for wasting billions of taxpayer dollars on programs that didn't work. But now, especially, there's no excuse.

This article has been republished with permission from The New York Times. The original article ran on February 9, 2011.

Supporting Young People Out of the Justice System

Early intervention can save young people from a lifetime of problems, Clay Yeager, its U.S. pioneers, tells Randeep Ramesh.

Clay Yeager spent two decades in America's criminal justice system getting more disillusioned everyday as children who had been alienated, disturbed and living in households too poor to do anything about it ended up lining the juvenile courts of Pennsylvania where he worked as a probation officer. "All the early indications of problem behavior were ignored. They would skip school, dabble in drugs, have parents soaked in alcohol...and then the kids would end up in court and I was expected to fix them," says Yeager. "All those issues impacting for 15 years. I had no chance."

But his epiphany came in 1994, when he sat in on a seminar given by two Washington University academics, David Hawkins and Richard Catalano. Their chart listed 19 risk factors - ranging from failure to read at school, living in a community that tolerated drugs or guns and, controversially, a "family history of problem behavior" - that increased the risk of depression, teen pregnancy, dropping out of school, violence, delinquency and drug abuse.

"These [risk factors] are a pipeline to prison and they impact behavior long before kids come into the court system. This totally changed my way of thinking," says Yeager, who began to advocate a radical idea: take a sliver of the \$5 billion spent everyday in Pennsylvania to incarcerate 52,000 adults and redirect it to problem communities and families.

"Early intervention," as the policy became known, did take off, thanks to Yeager and his political patron, state governor Tom Ridge, who entered office in 1994. The pair agreed that communities should be encouraged to take control of their public spaces, designing systems with investment from the state to increase their children's performance. In return, they were expected to police their children. Yeager says the Communities that Care Program grew from just eight to 128 areas in less than a decade and saw a 10 percent drop in juvenile crime rates and a 33 percent improvement in educational performance.

In 2008, analysis by Pennsylvania State University showed that a \$60 million investment had saved taxpayers more than \$317 million through reductions in "crime, system processing, impact on victims and reductions in welfare dependence."

Constant surveillance

"That's a \$5 return for every \$1 invested," says Yeager. "That's a great result for communities and taxpayers. Every community had political leaders, business leaders, youth leaders that provided the constant surveillance of civil society and, thanks to the program, they had results to show what worked."

With outcomes like these, it is little wonder the coalition government has been keen to tap into Yeager's expertise. Yesterday he was due to give evidence to the government's early intervention review, chaired by Labor MP Graham Allen. Reporting early next year, the review is examining how early intervention could help "break the cycles of underachievement which blight some of our poorest communities." In Britain, early intervention is a big part of bipartisan politics. Allen collaborated with the work and pensions secretary, Iain Duncan Smith, in 2008 to produce a pamphlet on the subject.

Back in the 1990's, "strategic investments" to, say, prevent crime was a hard sell in a traditionally Democratic state such as Pennsylvania, which focused on poverty alleviation and big government programs, says Yeager. But his efforts coincided with the arrival on the political scene of Ridge, a new kind of centrist Republican, who had campaigned on a slogan that it was one thing to get touch on crime, but it was another to get "smart" on crime. This meant there were hard messages such as restoring the death penalty and focusing on victim's rights. But also, says Yeager, there was a desire to "slow the flow of kids into the criminal justice system."

Indeed, when Ridge left office in 2000, so did the money for the program. Between 2002 and the 2010 budget, Yeager says funding for these "advances in public policy dropped by a shocking 93 percent in Pennsylvania...from \$16 million to a proposed \$1.2 million. The current budget proposes spending about 1/20 of 1 percent of the \$1.8 billion put aside for prisons in Pennsylvania to inoculate youth in our communities to prevent them from getting [caught up in the justice system] later in life."

Despite this reverse in financial support, the policy has spread to other states in America. In Maryland, another evidence-based program to keep troubled youth out of state care - keeping them at home - produced huge savings. Rather than the state's taxpayers

paying \$50,000 a year to keep kids in a children's home, costs were reduced to less than \$7,500 by keeping them in their own homes and counseling families. When faced with significant overcrowding for juvenile offenders in its penitentiaries, Florida opted to reduce reoffending rates by working with young ex-offenders and their families. Again the savings were dramatic, with youths placed in the program 35 percent less likely to go to prison as adults than those released from traditional Florida residential programs.

Yeager, who left government service in 2002 and now acts as a consultant to governments and universities, says, "The key to success is that private companies that run the schemes could share in the savings to the taxpayer. That's their incentive. The [reason] why these programs never take off is that in government there is no incentive to do this work. That is why in New York recently you had unions refusing to close down a facility with 105 staff that only looked after three kids. During these challenging economic times, leaders have to make investments in research-driven efforts that change outcomes for children, families and communities.

The Allen review, like the poverty review concluded for the coalition by Labor MP Frank Field, really grasps this idea, says Yeager. "The fact is that you in Britain get this. These programs really change the life trajectory of those once deemed hopeless."

Intensive support

Yeager is also keen on family nurse partnerships - which offer intensive support for vulnerable, first-time young parents - and was chief executive of the NGO that promoted the scheme. Devised by development psychologist David Olds, the system, first started in 1978 - and which has been championed in Britain by health secretary Andrew Lansley - showed remarkable advances in outcomes for children visited by family nurses. In one influential study by Olds two decades ago in Memphis, these children had larger vocabularies,

fewer mental health problems, and slightly higher IQs than those left without any help. The mothers had fewer subsequent children and longer spaces between them. An economic analysis of the Olds experiment showed the approach was extremely cost-effective because the children aided by the nurses had required fewer expensive social services such as foster care and hospitalizations.

"This was amazing progress and government has a responsibility if it can do a better job of saving lives and saving money. It has to adopt new ways of thinking," says Yeager. If this sounds defensive, it is, because early intervention carries with it Orwellian undertones - a government-funded program that meddles in private lives and one that might undermine the fight for good schools, quality daycare, and other support for poor children.

Indeed, in the twilight months of Tony Blair's times as Britain's prime minister, he arrived at what seemed to be a startling conclusion: that one could predict who would end up poor, pregnant or in prison when they were still in nappies. When pushed, he mused that criminal traits could even be spotted "pre-birth." This drew instant criticism.

But Yeager says that however uncomfortable that message might be, the alternative one is worse. "It's evidence based. And we have had in America 50 years since the war on poverty was declared. No funding on any anti-poverty program has ever been effective. The gap is in fact growing. We need to rethink these issues."

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Justice Research Center Completes Outcomes Report for Redirection Project



The Justice Research Center, a national firm committed to evaluating juvenile justice programs, has completed their assessment of Florida's Redirection project, a collaborative effort between the state's Department of Juvenile Justice and Evidence-Based Associates. The 2010 outcomes report states that the current recidivism evaluation of youth released in fiscal year 2008-09, indicates that juvenile referral/adult arrest and juvenile adjudication/adult conviction within one year of program completion is lower for youth in the Redirection project in comparison to those completing residential commitment services. In addition, those completing redirection programming have significantly fewer felony referrals/arrests and adjudications/convictions than those placed in residential facilities.

To read the full report, visit www.evidencebasedassociates.com.

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