



Using Pay for Success in Criminal Justice Projects

Lessons Learned from PFS Project Stakeholders, Policy Analysis, and Landscape Analysis

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Federal, state, and local jurisdictions across the country are recognizing pay for success (PFS) as a potential tool to tackle criminal justice issues in their communities. Early PFS projects were in criminal justice, and many places are already working on PFS efforts in justice-related areas, such as workforce development for system-involved people, opioid misuse treatment, and child welfare. Although PFS offers benefits like forging new partnerships and shifting service delivery toward outcomes, there are also challenges associated with a PFS project. However, based on the state of the field, our analysis of PFS legislation, and stakeholder experiences, PFS holds promise for the criminal justice field.

This brief is intended to help criminal justice policymakers and practitioners understand the PFS model; its content is informed both by independent research and stakeholder interviews. We first describe the PFS model, its benefits, and its challenges. We then provide a set of lessons learned for criminal justice PFS efforts from a review of PFS legislation, active efforts, and practitioner experiences. Interviewees and other contributors are listed in the acknowledgments.

What Is Pay for Success?

Pay for success is an innovative financing mechanism that governments can use to leverage private or philanthropic capital to implement or scale an evidence-based social program. If an independent, empirical evaluation determines that the program improved predefined outcomes for participants, the project is considered a success. The government repays the initial investors with a positive return. PFS

redistributes financial and reputational risk from government to external investors, promotes evidence building through rigorous evaluation, directs funds and resources toward proven programs, and shifts programmatic focus to meaningful outcomes for vulnerable populations. These defining characteristics hold true for the majority of the 20 PFS projects launched since 2012.¹

More recent PFS efforts have seen innovations in the mechanism itself—for example, some projects have placed the financial risk on service providers rather than investors. Other jurisdictions are testing a new evaluative tool called “rate cards,” which are more prominent in United Kingdom projects.² How the field discusses the merits—and challenges—of doing PFS has shifted considerably since the first project launched.

How PFS Works

Pay for success projects bring together new stakeholders, like private investors, with existing stakeholders, such as government and service providers, to develop a project that uses an evidence-based program to solve a specific social problem. PFS projects can be very specific to the local context, but all PFS projects have involved similar stakeholders and followed roughly similar pathways from PFS exploration to project launch.

THE STAKEHOLDERS

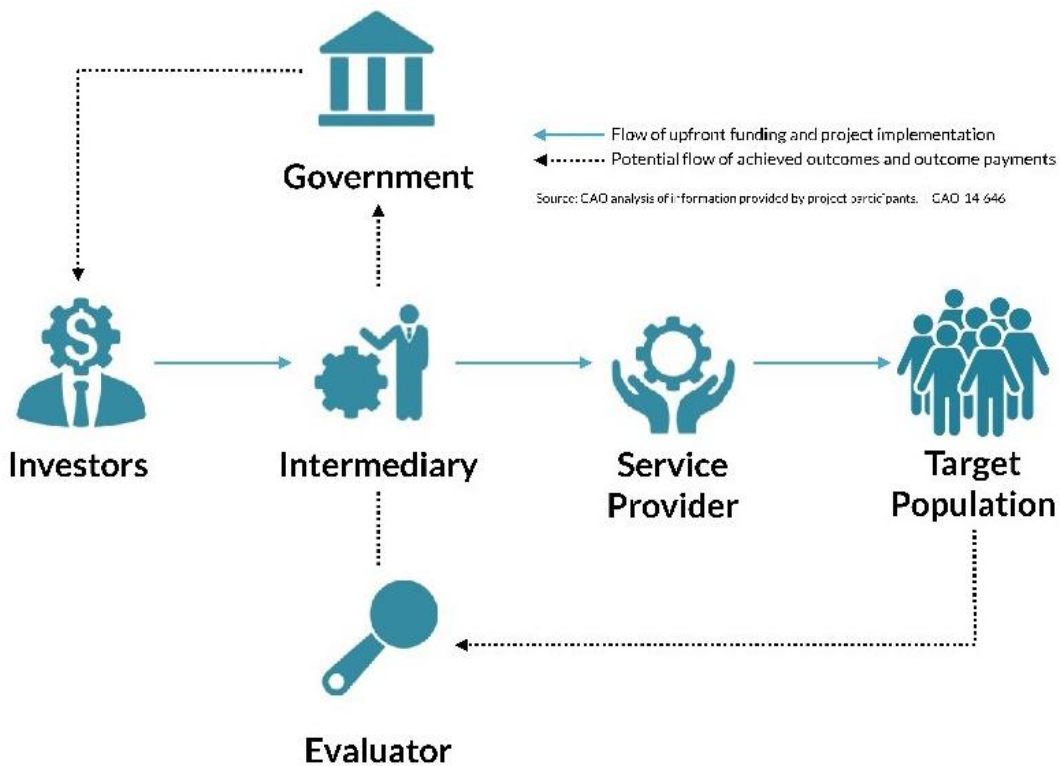
A major feature of PFS is its convening power. The model brings new stakeholders to the table and retools the roles of current stakeholders, such as government and service providers, to focus on the quality of services and their ability to achieve better outcomes for vulnerable populations. Five stakeholders are integral to a PFS project:

- **Government** typically identifies issue areas to target through PFS and serves as the end payor if a project achieves the desired outcomes.
- **Investors** provide upfront capital to scale or stand up the program. Repayment and additional success payments are contingent on improved outcomes for program participants.
- **Intermediaries**, which include both knowledge intermediaries and financial intermediaries, support PFS projects by providing technical assistance to identify evidence-based programs, contributing to evaluation plans, informing implementation, structuring the terms of the project, aiding in raising capital, and serving as project managers.
- **Evaluators** conduct an independent evaluation of the social program to determine whether it improved outcomes and, ultimately, whether government will repay investors.
- **Service providers** deliver the program’s services.

Figure 1 illustrates capital flows among project stakeholders.

FIGURE 1

Stakeholders and Roles in a Pay for Success Project



Source: US Government Accountability Office analysis of information provided by project participants.

THE PROCESS

There are four key stages to a PFS project:

1. **Feasibility.** Feasibility assessments involve three types of analysis: the likelihood that a given program can improve outcomes of interest to the jurisdiction, that the stakeholders can implement the program as intended, and that the program results will show a measurable change. Activities conducted in PFS feasibility could include setting up integrated data systems; defining eligibility criteria, referral procedures, and enrollment protocols; and selecting outcomes. Projects could be deemed “not feasible” or the jurisdiction could fund the services outside of PFS.
2. **Structuring.** After a PFS project has been deemed feasible, project partners negotiate terms of payment, raise capital to finance the project, make key decisions about project governance and operations, and write and execute the contract.
3. **Implementation.** In this stage, stakeholders may choose to conduct a pilot phase to test assumptions around project design—not to test whether the program works—allowing time for course corrections before actual project launch. During actual project implementation, the service provider primarily delivers program services; effective project implementation, however, requires active project management from all PFS stakeholders.

4. **Evaluation.** In this stage, evaluators analyze program data to determine whether desired outcomes were achieved, which determines repayments to investors; potentially work with an independent validator to confirm their conclusions; and potentially conduct further process studies to find out why the program worked or did not work (Gillespie 2016).

Benefits of PFS Projects

Though the field is young, and an evaluation of the PFS model is still under way, organizations working on PFS projects report a variety of potential benefits of the model.

PFS benefit #1: PFS shifts risk, both financial and reputational, from government to external partners. Although some recent PFS efforts have transferred risk from the government to service providers (see box 1), the majority of PFS projects have involved philanthropic and private investors who assume the bulk of the financial risk (TeKolste, Eldridge, and Hawkins 2016). Shifting risk can be attractive for governments that are either cash strapped or concerned about the reputational consequences of raising taxes to finance a new program that then fails.³ In addition, private investors and philanthropies may have a higher appetite for risk than government, as well as the funds necessary to finance the program. By aligning with project partners committed to better social outcomes, government can transfer its risks to partners better positioned to assume them. Such partnerships allow social programs that would not otherwise have gone forward—due either to a lack of funding or political and reputational concerns around launching an ambitious social program—to be implemented, creating an opportunity to improve outcomes.

PFS benefit #2: PFS projects bring together new stakeholders to focus on a social problem, forging a culture of collaboration in social services. The variety of stakeholders in a PFS project can open communication channels between entities that typically do not partner, which creates an opportunity for innovative problem solving to support more effective service delivery.⁴ Even if the project does not move forward, the PFS process can promote resource sharing, chip away at funding silos, and instill a commitment to PFS principles—cross-sector partnerships, data-driven decisionmaking, and evidence building—that are broader than a single project.

PFS benefit #3: The PFS model can address a governance dilemma known as the “wrong pockets” problem, in which the entity that finances services for a target population will likely never see a commensurate benefit. The wrong pockets problem occurs when a person, or group of people, uses services that are funded by different agencies or departments (Roman 2015). For example, someone experiencing chronic homelessness may have contact with the jail system because of laws against rough sleeping. They might also draw upon community services, such as homeless shelters and soup kitchens, as well as emergency department services as a result of multidimensional health needs and a lack of health insurance. The agency that chooses to serve this population bears the full cost, even though cost savings accrue to other agencies and departments as well. The wrong pockets dilemma illustrates why even a clearly effective intervention may not be implemented. The PFS model provides one way to circumvent this problem. By using investor capital to fund the intervention and assigning repayment to

the jurisdiction rather than a siloed agency, PFS creates a space in which all entities that benefit can theoretically work together to implement and finance the intervention.⁵

PFS benefit #4: PFS reorients government and services providers toward outcomes. Traditionally, government pays for services based on outputs, such as the number of people served by an employment readiness program. However, most stakeholders are interested in whether services lead to meaningful improvements in the lives of the people served: Did the employment readiness program result in longer job tenure, greater promotion potential, and higher average earnings among participants? This focus on outcomes allows PFS projects to focus on the quality of the services delivered and builds in flexibility during the service delivery period so that PFS projects can make course corrections to maximize the chances of achieving improved outcomes. Linking program costs to outcomes over outputs is difficult, but doing so can lead to improvements in service delivery and ultimately the lives of people served.⁶

BOX 1

Innovations in Project Design: Santa Clara County, California, “Partners in Wellness” PFS Project

Announced in December 2016, Santa Clara County’s second PFS project focuses on a small group of county residents with severe mental illness who cycle in and out of jail and psychiatric facilities. The service provider, Telecare Corporation, will deliver assertive community treatment (ACT), an evidence-based intervention tailored to help those with severe mental illness at highest risk for homelessness, criminal justice involvement, and hospitalization.^a The Partners in Wellness project aims to deliver personalized mental health and housing services to this group of approximately 250 individuals, with an emphasis on care coordination to connect people to services such as substance use treatment, housing assistance, and comprehensive health screenings. Through this project, the county hopes to invest in preventive, community-based treatment, and in so doing, decrease participants’ reliance on county emergency and inpatient psychiatric facilities and reduce overall costs for the county.

The main innovation in this project is the lack of external investors. The service provider, Telecare, if successful, may receive up to \$11.2 million in PFS funding, with Medi-Cal (California’s Medicaid agency) contributing an additional \$16.9 million for reimbursable services. The terms of Telecare’s investment parallel those of investments in other PFS projects: if services result in reduced use of county psychiatric services, reduced jail days, and improved health and well-being, then the county will repay Telecare, with potential interest. In this project, the bulk of the financial risk falls on the service provider, not private or philanthropic investors. This arrangement could simplify the PFS contracting structure, but it could also limit the pool of service providers to those providers able or willing to make such a hefty investment to participate in a PFS project.

^a “Partners in Wellness Fact Sheet,” Third Sector Capital Partners, Inc., 2016.

PFS benefit #5: Because PFS projects must include an evaluation to determine if outcomes were met, they actively build an evidence base of programs shown to be effective. Traditional financing rarely includes assessments of whether services improved the outcomes of people receiving them. PFS projects use evidence on the front end—if repayments are determined by project success, project

partners are more likely to select evidence-based interventions—as well as generate evidence on the back end (Milner and Eldridge 2016). PFS projects include program evaluations, which observe outcomes achieved, define program impact, and lead to repayments, but they can also incorporate process evaluations to understand why a program performed as it did. Understanding “what works” can help government deploy its dollars more effectively in the future.

PFS benefit #6: PFS can lead to systems change in the way that governments procure and deliver social services. By using data to identify a target population, monitoring project performance continuously, and incentivizing delivery of meaningful outcomes, PFS can spur a new way to think about social services and improve the lives of service recipients.

Challenges of PFS Projects

Despite its many potential benefits, PFS projects pose challenges that may require stakeholders to take mitigating measures.

PFS challenge #1: The PFS model is complicated, and its newness adds another layer of difficulty. PFS stakeholders may partner with new entities and engage in novel project activities like active project management and data-driven decisionmaking. These activities may be new to many PFS stakeholders, resulting in a steep learning curve. These new skills may be beneficial for service delivery in the long term, but acquiring them is certainly a challenge in the short term. To test out new relationships and activities, jurisdictions may choose to use a ramp-up or pilot period. During this period, they may test assumptions about referrals and enrollment and allow for changes to be made before the evaluation design is set in stone. For example, Boise, Idaho, explored the potential of using a PFS project to scale permanent supportive housing (PSH). After the feasibility stage, instead of directly moving forward with PFS, the city decided to fund a smaller pilot study through a project that provided 30 to 45 beds to people experiencing chronic homelessness in Boise. If the pilot is successful, the city may use PFS to scale up services (Crossgrove Fry 2016).

PFS challenge #2: PFS projects may not offer financial returns proportionate to the risk they carry. PFS projects have low rates of return (TeKolste, Eldridge, and Hawkins 2016). Projects to date have used tools such as subordinate lending from philanthropic investors to mitigate these risks by allowing senior lenders to receive higher interest payments, but investors have stated that PFS projects need to align better with market-rate returns to keep investor interest (Walsh et al. 2017).

PFS challenge #3: PFS projects take a significant amount of time and resources to develop, structure, and implement. A common complaint among stakeholders interested in PFS is the long development timeline, usually one to three years, typical of launched projects. For example, a South Carolina project that began project exploration in 2012 did not launch services until 2016 because it pursued a federal Medicaid waiver that took three years to obtain. Additionally, when projects do launch, the implementation and evaluation period are lengthy as well: the PFS project in South Carolina with the Nurse-Family Partnership expects to formally end its project in 2023, yielding a project life of more than a decade (Social Finance 2017). The expanded timelines of PFS projects have led to valid

questions around sustaining the political will needed for project launch and appropriating funds for outcomes payments if the project goes forward.

PFS challenge #4: Because PFS projects are very specific to the local context, jurisdictions may not have a clear road map for how to do PFS. As Social Finance cofounder Tracy Palandjian commented, “If you’ve seen one PFS project, you’ve only seen one PFS project.” In other words, every PFS project is different, with its own intervention designed to solve a specific problem and adapted to the unique local context, topic area, and relationships between the stakeholders involved. As a result, even though 20 projects have launched so far, other jurisdictions may not know how to begin. This uniqueness among PFS projects is a key reason that the feasibility stage of PFS is so important: although certain interventions and project processes may have worked elsewhere, feasibility can determine if and how they will work in a particular jurisdiction.

Box 2 describes several resources from the Pay for Success Initiative to help jurisdictions and funders evaluate their readiness for a PFS project.

BOX 2

Additional PFS Resources

- **Pay for Success Criminal Justice (PFS-CJ) Assessment Tool.** By detailing core elements of strong PFS projects, the PFS-CJ tool can help people, organizations, and governments determine if PFS might be a good fit for their criminal justice programs.
- **“Managing Investor Risk in Pay for Success Projects.”** This brief helps project stakeholders understand investor perceptions of risk in PFS projects and explores how current projects mitigate these risks.
- **Making Sound Cost Decisions in Pay for Success Projects.** This report highlights the information and basic steps needed to cost out a PFS project, including calculating success payment rates.
- **Practical Considerations for Pay for Success Evaluations.** In this report, evaluators of ongoing PFS projects detail practical considerations for implementing rigorous evaluation methods in a PFS setting.

To access these resources, visit pfs.urban.org. For more information on PFS, visit www.payforsuccess.org and www.nationalservice.gov.

Lessons Learned for PFS Criminal Justice Applications

Pay for success and criminal justice have been closely connected since the field’s inception. In 2010, the first social impact bond (another name for pay for success) was launched in the United Kingdom to scale reentry services. The UK Ministry of Justice commissioned six service providers to deliver support and

stability services (the “One Service”) to men who were exiting Peterborough Prison after being incarcerated for a year or less. Through the One Service, the initiative hoped to reduce recidivism among this population. Final results, released in 2016, demonstrated that the social impact bond at Peterborough Prison had reduced recidivism among the 2,000 men served by 9 percent compared to a national control group, triggering repayments to private investors.⁷

Similarly, the first PFS project in the United States aimed to reduce recidivism among adolescents detained at New York City’s Rikers Island Jail. Since then, numerous more criminal justice–focused social impact bond and PFS projects have launched worldwide. The proliferation of criminal justice projects provided the impetus for us to research PFS efforts, legislation, and stakeholders’ experiences in the hopes of extracting key insights to inform other jurisdictions interested in pursuing PFS. Box 3 details our research methodology.

BOX 3

Methodology

We performed a comprehensive landscape scan of all PFS efforts with a criminal justice component. The information included in this brief was found on the websites of the following PFS stakeholder organizations: Social Innovation Fund, Nonprofit Finance Fund, Harvard Kennedy School Government Performance Lab, Social Finance US, Third Sector Capital Partners, Institute for Child Success, and the Urban Institute. Press releases, published feasibility reports, and other organizational websites were used to supplement the scan.

Information of interest included project status (prefeasibility, feasibility, not feasible, structuring, implementation), intervention, target population, service delivery period, outcomes affecting investor repayments, evaluation design, and results (if applicable). To ensure that publicly available information included in the comprehensive scan was accurate, complete, and up-to-date, the authors reached out to project managers to review project information. Some project managers were also asked for a phone call to discuss criminal justice–related PFS lessons learned. Verified project information from project managers allowed the authors to pare down the comprehensive scan to the final landscape scan (appendix A).

The authors conducted informal interviews with 14 individuals, which encompassed 19 PFS efforts in the landscape scan. Prior to each call, interviewees were read an informed consent. Interview protocols focused on motivations of jurisdictions to use PFS for criminal justice, the reasons behind the prevalence of justice-related outcome measures, and lessons learned from the projects.

Lesson #1: Criminal Justice System Needs and Characteristics Are Well-Suited to the Benefits of the PFS Model

Several alignments between the criminal justice system and PFS, such as needing to serve people with high needs, also apply to other social sectors. Nonetheless, understanding how attributes of the criminal justice system fit with the benefits of the PFS model can be informative for people interested in PFS for

criminal justice. (For more information on whether a specific project would benefit from PFS, see our PFS-CJ assessment tool.) These alignments comprise five main categories:

- **Incarceration and recidivism are expensive, and the potential to save money through PFS brings stakeholders to the table.** A study conducted by the Vera Institute of Justice found that the per person cost of incarceration in a prison was \$31, 286 in 2010 (Henrichson and Delaney 2012). This sums to billions of dollars per year. After tallying the indirect costs to agencies and departments outside of corrections, as well as to justice-involved people, their families, and the communities they live in, one study estimated that the annual cost of incarceration totals about \$1 trillion dollars (McLaughlin, et al. 2016). One interviewee stated that costs of this magnitude are effective in attracting project partners to PFS projects and keeping them engaged. Other interviewees commented on the clear costs of incarceration and evidence suggesting incarceration doesn't increase public safety (Council of State Governments Justice Center 2014). This evidence has brought stakeholders together who recognize incarceration is an ineffective use of tax payer dollars.
- **The criminal justice system is often a last resort for people who have complex unmet social service needs.** Justice-involved people often touch multiple social sectors. One interviewee said the criminal justice system is often a system of last resort for people who may be high users of government services and potentially experiencing behavioral health or substance misuse disorders. High-need people who have not been able to access services such as substance abuse counseling or housing shelters could need immediate attention. In those crisis situations, the police are often called, creating a pathway into the criminal justice system. Not only is incarceration costly, but it does little to address the underlying problem, like a mental health issue. It could even exacerbate the issue. Thus, there are multiple opportunities for service provision—in which PFS can play a role—that will more efficiently and effectively support high-need people than the criminal justice system.
- **The costs to serve justice-involved groups are siloed, leading to a wrong pockets problem that PFS is uniquely positioned to address.** System-involved people may use a range of services, with cost implications for different systems. For example, drug courts are effective in diverting people struggling with substance abuse from the prison system, and they have been shown to reduce new criminal offending by 10 to 15 percent (Roman 2015). As a result, cost savings accrue to multiple criminal justice agencies—police, corrections, parole, and so on—as well as the public health system; the courts, however, bear the entire cost of operating the drug courts.

But costs are not the only component of the wrong pockets problem. PFS can also raise attention to the silos that promote unequal cost sharing across agencies or departments in the first place. The Illinois project that will serve dually involved youth, for example, brings together stakeholders at different levels of government: child welfare is centralized at the state level, but the juvenile justice system operates at the county level. As a result, the stakeholders developed a pilot phase ramp-up plan that would be incrementally implemented in anticipation of having

to build relationships with each of the counties—and the providers that operated in each county—that the project will ultimately cover.⁸

- **PFS processes necessitate the intensive use of data, and the criminal justice system already tracks a large amount of data.** Data drive much of the PFS process, from determining a topic area to selecting a target population to determining whether the desired outcomes have been achieved. However, many jurisdictions lack the quality and quantity of data, as well as the capacity to work with data in the ways and level of intensity that a PFS project requires. Although getting better data more quickly is a priority for many agencies, criminal justice agencies typically have easy access to stronger data than other government agencies.

In addition to being able to collect and record high-quality data, linking high-quality data sets from different social sectors allows project stakeholders to pinpoint trends in social service use that can then inform the project. As an example, PSH has been a common intervention in PFS projects so far due to its robust evidence base and targeting of individuals who touch several social sectors, including criminal justice, homelessness, and health (Brennan, Cunningham, and Gastner 2017). One interviewee working on a PFS effort scaling permanent supportive housing indicated that data helped project stakeholders to realize that frequent users of one system were not necessary frequent users of other systems. For example, a high user of the health system has a lower chance of being arrested than a comparable non-high user simply because the person may frequently be in the hospital. Similarly, high users of the jail system have a lower chance of accessing health or homelessness services because they are in jail. This type of information pooling provided a more granular view of subpopulations, which allowed the project to plan better.

Furthermore, in a PFS project, evaluators must carefully track program participants—both in the treatment and control groups—to determine whether the desired outcomes are being achieved. Two interviewees noted that justice-involved people (e.g., people on parole) are more straightforward to track because they are either incarcerated or carefully monitored.

- **Although the specific wide-ranging consequences of crime and criminal offending are not always clear, people recognize the positive impact that services can have on families and communities.** Involvement with the criminal justice system has an impact beyond the people eligible for services. Thus, services for these people have benefits that spread throughout their networks. For example, comprehensive employment services to support formerly incarcerated people can help them secure stable and meaningful employment, creating positive economic outcomes for their families and communities. Similarly, delivering treatment and support services to parents who are homeless, struggling with mental illness or substance abuse, or are justice involved can have long-term health and education consequences for their children.

Lesson #2: Criminal Justice Target Populations and Outcomes Are Common in PFS Efforts

The comprehensive landscape scan indicated that criminal justice outcomes and populations are frequently targeted by PFS projects. Over 80 PFS efforts are under way in the United States alone, and over half of those have built in a criminal justice target population, intervention, or outcomes measure. The scan of practice initially included 53 PFS efforts with some criminal justice component. After asking project managers to review publicly available information about their projects and conducting calls, we narrowed this initial number to 44 PFS efforts from feasibility (including a few that had been either deemed “not feasible” or chose not to do PFS) through completion.

Although the comprehensive scan included any PFS effort that may have touched on criminal justice at some point, such as feasibility studies that examined criminal justice outcomes but did not ultimately choose to pursue them, the landscape analysis only included PFS efforts that had a criminal justice–related target population, intervention, or outcomes. Examples of all three are provided in table 1. Whether we chose to include these “gray area” projects depended on the extent to which they have or had considered criminal justice components.

TABLE 1

Example Criminal Justice Target Populations, Interventions, and Outcomes

Target Population	Intervention	Outcome
Defendants with substance misuse issues	Drug court	Decrease in jail-bed days
High-risk probationers	Transitional employment services	Time periods without rearrests
Dually involved youth	Cognitive behavioral therapy	Reduced delinquency

Note: This table is not intended to be an exhaustive list of the target populations, interventions, and outcomes we observed in the landscape scan. Furthermore, certain target populations, like people with mental health issues; interventions, such as permanent supportive housing; and outcomes, like higher earnings, fall into other social sectors but are tightly tied to criminal justice. These appear in our landscape scan and are described in more detail in this section.

Although some projects did not meet the criteria for inclusion, it is telling that PFS stakeholders working on efforts in other social areas still think about criminal justice consequences. A project in the early childhood space that we excluded from our final landscape scan provides a good illustration. The feasibility study wanted to scale high-quality preschool in Tempe, Arizona. It did not specify a justice-related intervention or population; instead, project stakeholders mainly focused on improved kindergarten readiness as the outcome of interest. The feasibility study, however, also considered reduced crime and reduced justice-related costs. Because this project was deemed “not feasible”—the city chose to fund the intervention at a lower scale directly—and the main outcome was not justice related, we determined it was too tangential to the criminal justice field to be included in the landscape analysis.

Justice system involvement has lasting repercussions for families and communities, which can explain why many projects consider criminal justice outcomes, even if they don't move forward with them.

Of the 44 projects included in the scan, 13 are formally launched PFS projects with a criminal justice component: Ventura County Project to Support Reentry, Los Angeles Just in Reach, Illinois Dually-Involved Youth, Oklahoma Women in Recovery, Salt Lake County Homes Not Jails, Salt Lake County R.E.A.C.H., Santa Clara County Partners in Wellness, Denver Social Impact Bond Program, Santa Clara County Project Welcome Home, Massachusetts Chronic Homelessness Initiative, Massachusetts Juvenile Justice Project, New York Increasing Public Safety, and Rikers Island ABLE. All 13 projects measure the success of a criminal justice outcome, such as avoided jail-bed days, and nine of the 13 focus explicitly on criminal justice-involved populations or interventions that serve them.

Most of the projects included in the landscape scan were in the feasibility stage, although some efforts, such as the Center for Employment Opportunities' project in Pennsylvania, did not move past feasibility. Only one project, the Rikers Island ABLE Project, proceeded through project launch, implementation, and completion/termination; specific takeaways from that project are detailed in box 4. About a third of the projects in the landscape scan focused on a youth or family target population, and the remaining two-thirds focused on adult populations. Of note is the Women in Recovery project in Oklahoma, which has a narrow target population of adult women with a substance misuse problem who have had contact with the justice system. One interviewee used this project as support that PFS can be used for very targeted issues.

Of the 44 projects included in the landscape scan, around 40 percent use a housing intervention or an intervention with a housing component. This sizable percentage indicates housing is a significant need for justice-involved people and that homelessness and the factors that lead to homelessness are risk factors for becoming justice involved. These "housing PFS projects" typically include criminal justice outcomes such as "reduced jail-bed days." Many of these efforts were supportive housing projects, which could be the result of three factors: 1) of the launched projects, five are supportive housing projects (a few others have a housing component), 2) supportive housing has a strong evidence base, and 3) the Department of Housing and Urban Development, in conjunction with the Department of Justice, made PFS awards to seven sites, all of which are included in our landscape scan and pursuing PSH, a type of supportive housing intervention.

BOX 4

Case Study: Lessons Learned from Rikers Island

The first PFS project in the United States was set in New York City and sought to reduce recidivism rates among adolescents aged 16 to 18 who were detained at Rikers Island Jail. The project used moral reconnection therapy (MRT), an evidence-based cognitive behavioral therapy incorporating education, training, and counseling to boost personal responsibility and decisionmaking skills.^a Launched in 2013, the project was terminated a year early when the program did not hit the 8.5 percent recidivism reduction that would have triggered repayment.

Although the Rikers Island project seems like an early blow to the PFS field, it yielded key lessons learned that have informed ongoing projects and current thinking.^b First, although the intervention failed, the PFS mechanism itself worked as intended: early termination of the project meant that government would not continue to pay for poor outcomes. The project illustrated the key premise of PFS: that government—and taxpayers by proxy—should effectively collaborate and only pay for programs that deliver meaningful social outcomes, ultimately resulting in a more effective use of public dollars, a culture of outcomes-focused service delivery, and better-served communities.

Second, though MRT had worked in older populations in other settings, it proved difficult to implement at Rikers Island. The realities of youth cycling in and out of Rikers Island meant that service delivery had to be modified such that most participants did not receive the full recommended length of services (three months). In this case, the intervention didn't achieve desired outcomes in a new setting among a new population. The lack of desired outcomes indicates the importance of context and implementation fidelity and does not undermine the potential of the PFS model to address issues in criminal justice (Parsons, Weiss, and Wei 2016).

^a “The NYC ABLE Project for Incarcerated Youth,” Urban Institute, Pay for Success Initiative, April 21, 2016, <http://pfs.urban.org/pfs-project-fact-sheets/content/nyc-able-project-incarcerated-youth>.

^b Justin Milner, Erika C. Poethig, John Roman, and Kelly Walsh. “Putting Evidence First: Learning from the Rikers Island Social Impact Bond,” *Urban Wire* (blog), July 5, 2015, <http://www.urban.org/urban-wire/putting-evidence-first-learning-rikers-island-social-impact-bond>.

Lesson #3: Current and Proposed Legislation, Policies, and Practices May Have Consequences for Project Procedures

As of April 2017, 11 state and local jurisdictions have passed 12 pieces of PFS legislation that can be broadly classified as priming, or authorizing feasibility studies or commissions to study PFS for specific issues; enabling, or allowing departments or individuals to engage in PFS contracts, making them enforceable; and securing, or backing PFS contracts with financial security (Cornell and Curran 2017).

The scope of legislation varies. For example, Massachusetts’ legislation broadly authorizes PFS projects to improve outcomes while decreasing costs for the state. Other jurisdictions have more specific legislation that can explicitly call attention to a targeted population, set of outcomes, or set of services; for example, Chicago’s SIB Authorizing Ordinance specifies the exact services (those in the Child-Parent Center Program) a PFS project should incorporate.⁹ Most of these jurisdictions make payments dependent on the achievement of outcomes, require evaluation, mandate that all PFS contracts include a payment timeline, and include a provision for government determination of cost

savings as a result of the PFS project (Teicher, Grossman, and Chong 2016). To a lesser extent, PFS legislation also includes early termination clauses, contract term limits, and a list of prerequisite conditions for executing a PFS contract.

PFS-specific legislation at the federal level includes the Workforce Innovation and Opportunity Act (2013–14), the FAST Act (2015), and the Every Student Succeeds Act (2017). Under the Social Impact Partnerships to Pay for Results Act, currently up for debate in the Senate, state and local jurisdictions could respond to federal requests for proposals with evidence-based PFS project proposals to target specific issue areas. If passed, this act would create a \$300 million fund held by the Treasury to repay outcomes achieved in state and local PFS projects, creating the first standing federal fund for outcomes payments.¹⁰

Three jurisdictions—Arkansas, California, and Oklahoma—have passed PFS legislation specific to the criminal justice space:

- **Arkansas.** Senate Bill 472, or the Criminal Justice Reform Act of 2015, enables the Arkansas Department of Corrections to contract with “community-based providers specializing in behavioral health, case management, and job placement services, and two-year or four-year public universities to create a pay-for-success program for incarcerated individuals or individuals on parole or probation that requires the department to pay for the intervention services only if the performance targets stated in the agreement are achieved.”¹¹
- **California.** Assembly Bill (AB) 1837 (2014) established the Social Innovation Financing Program, which would use PFS to scale evidence-based approaches to reduce recidivism, and authorized the Board of State and Community Corrections to enact the program. AB 1837 also enabled the board to award grants of between \$500,000 and \$2,000,000 to catalyze PFS efforts under the program in three counties.¹² The case of California is detailed in box 5.
- **Oklahoma.** Senate Bill 1278 (2014) created the Criminal Justice Pay for Success Revolving Fund to be used for “payment to social service providers for the delivery of predefined justice outcomes” in contracts for criminal justice programs that “have outcomes associated with reducing public sector costs.”¹³ Interestingly, this bill specifically lists a fiscal burden on the service provider—a minimum of \$2,000,000—which is novel given that PFS has generally been a way to shift financial resources toward providers.

Although PFS-specific legislation is slowly gaining ground, it is not necessary to launch a PFS project. For example, New York has implemented two projects—the New York City ABLE Project for Incarcerated Youth and the New York State Increasing Employment and Improving Public Safety Project—yet the state does not have PFS-specific legislation. However, such legislation can confer certain advantages in jurisdictions considering PFS. Existing legislation can dictate the topic area or intervention in a PFS project; stipulate the roles and responsibilities of project stakeholders, and possibly project governance; lay out required PFS contract terms; and/or establish repayment and appropriation mechanisms. It can also demonstrate government support for a potential PFS project and provides investors assurance that the government will indeed repay if the project meets predetermined

outcomes. Many jurisdictions have used their legislation to establish a sinking fund, allowing for multiyear appropriations that better align with the PFS timeline.

BOX 5

Case Study: Lessons in Legislation from California

Assembly Bill 1837 authorized the Board of State and Community Corrections (BSCC) in California to enact the Social Innovating Financing Program to explore PFS to reduce recidivism. BSCC awarded three grants under the program to Alameda County, Ventura County, and Los Angeles County to further support their PFS efforts. This scenario highlights two noteworthy points. First, by directing BSCC to fund PFS efforts in recidivism within the state, AB 1837 set up a cohort of three criminal justice PFS projects operating within the same laws and grant terms. Interviewees familiar with these projects noted that BSCC convenes the project managers from each of the three counties regularly, which poses a robust opportunity for sharing lessons learned across counties and building county-level relationships. Second, legislation not specific to PFS can affect a PFS project. Assembly Bill 109 is not mentioned in the text above because it is not PFS specific. However, AB 109 diverted people who committed low-level offenses from state prisons to county jails, providing the opportunity for the cohort to use PFS and increase services to this group.

Conclusion

PFS is an innovative model that holds a great deal of promise for criminal justice system stakeholders and others aspiring to better serve criminal justice populations. Stakeholders enter into PFS projects with different hopes for what it can accomplish: distribute risk, fund what works, improve lives, promote systems change, and more. For reasons explained in this brief, these expectations and the characteristics of the PFS model seem to be especially well-suited to starting PFS projects focused on the criminal justice system. However, it has yet to be seen whether PFS is especially effective in the criminal justice system. Our lessons learned are based on observations of the PFS model itself and accounts we have heard from stakeholders active in the field rather than project results.

Five years of implementing the PFS model in the United States does not provide a sufficient basis to draw conclusions about whether the model or PFS projects are accomplishing their goals. Some projects, such as the Utah High-Quality Preschool PFS Project and the Chicago Child-Parent Center Program PFS Project have released preliminary results, but only the PFS project at Rikers Island has ended, and impact evaluations for other projects are still under way. This early in the field, we should keep expectations for PFS projects realistic. But with upcoming project results, and with the implementation of an evaluation of the entire PFS model under way, we may soon have a better understanding of what the PFS model can achieve.

Regardless of traditional measures of success, our scan of practice has established that the PFS model promotes a shift in government's mindset and behavior toward allocating resources and

contracting for outcomes, as well as building data capacity to track the resulting outcome changes. PFS projects can be a forceful push toward operationalizing these activities and ultimately creating a system that emphasizes achieving meaningful outcomes, rather than outputs, for communities nationwide.

Appendix A

TABLE A.1

Landscape Scan: Overview of Current PFS Projects and Efforts in Criminal Justice

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
San Diego CEO and REDF ¹	San Diego, California	Prefeasibility (did not move forward)	Life skills training, transitional work, job placement assistance, and postplacement job counseling	Adults on probation assessed as high risk	N/A	Avoided jail bookings and avoided returns to custody ²	Conducted retrospective analysis but did not progress to a formal evaluation design	N/A
Oklahoma Permanent Supportive Housing for Opportunity Youth	Oklahoma City and Tulsa, Oklahoma	Structuring	Supportive housing	Youth transitioning out of foster care or the juvenile justice system	Unavailable at time of publication	To be determined	To be determined	N/A
Center for Employment Opportunities Pennsylvania PFS Project ³	Allegheny, Dauphin, and Philadelphia Counties, Pennsylvania	Feasibility (did not move forward)	Transitional work program to promote job readiness, placement, and retention for people reentering the workforce after incarceration	Adults leaving prison or jail	N/A	Reduced recidivism, employment placement, employment retention	N/A	N/A
San Diego Workforce Partnership ⁴	San Diego, California	Pilot	Workforce development interventions (to be determined)	Youth involved in juvenile justice or foster care system	Unavailable at time of publication	Reductions in rearrests, incarceration, and parole/probation violations; increase in work or education placement;	To be determined	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
						retention in work or education		
Clark County, Nevada Supportive Housing PFS Project⁵	Clark County, Nevada	Feasibility	Permanent supportive housing	Adults with history of chronic homelessness who cycle through high-cost systems, including criminal justice system, emergency response, and shelters	N/A	Housing stability for the target population ⁶	Unknown	N/A
Project Welcome Home⁷	Santa Clara County, California	Implementation	Permanent supportive housing	Chronically homeless adults with high use of county services	August 2015–June 2021	Number of months of continuous stable tenancy achieved (jail time and jail resources monitored as part of evaluation, but do not determine repayments)	Intention-to-treat analysis to determine outcomes and repayments; randomized controlled trial to evaluate other intervention outcomes	N/A
Virginia Supportive Housing⁸	Richmond, Virginia	Not yet feasible	Permanent supportive housing	Individuals who have been homeless within the past year and have had contact with jails and hospitals more than four times over 5 years with at least one stay in a jail or hospital in the last year	N/A	Housing stability and reduction in jail days	To be determined	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
Project HOME⁹	Philadelphia, Pennsylvania	Structuring	Permanent supportive housing	Chronically homeless individuals recovering from a substance use disorder and/or mental health condition	N/A	Community tenure (definition to be determined)	To be determined	N/A
Permanent Supportive Housing in Travis County (ECHO)¹⁰	Travis County, Texas	Structuring	Permanent supportive housing	People who are homeless and high users of criminal justice, health care, shelter, and emergency medical services	January 2018–December 2023	Jail system usage	To be determined	N/A
Just in Reach	Los Angeles County, California	Implementation	Permanent supportive housing	Adults with high physical, mental, or substance misuse needs who have experienced multiple incarcerations and chronic homelessness in the past 3 years	July 2017–June 2022	Reduction in recidivism	To be determined	N/A
Denver Social Impact Bond Program¹¹	Denver, Colorado	Implementation	Permanent supportive housing	Adults experiencing chronic homelessness and interact with the criminal justice system	February 2016–February 2021	Reduction in jail bed days and housing stability	Randomized controlled trial	N/A
Massachusetts Chronic Homelessness PFS Initiative¹²	State of Massachusetts	Implementation	Permanent supportive housing ¹³	Adults experiencing chronic homelessness and/or anticipated high users of emergency services	June 2015–June 2021	Number of days continuously housed (number of days incarcerated tracked, but not tied to repayment)	Root Cause verifies the number of participants who have been housed and for how long, as well as the	First success payment paid out July 2016

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
							number who transition into a successful housing outcome outside of the PFS project.	
Arkansas Community Correction¹⁴	State of Arkansas	Unavailable at time of publication	Reentry services, including behavioral health services, case management, job placement, and 2- or 4-year college for people returning from prison or about to return	Adults returning from state prisons	Unavailable at time of publication	Reduce or reverse prison growth and reduce recidivism	To be determined	N/A
Oklahoma's Partnership for Success Initiative¹⁵	State of Oklahoma	Prefeasibility	Family drug court to reduce substance abuse in the home; may include early childhood mental health services, counseling sessions, and parenting classes ¹⁶	Families involved in family drug court	N/A	Reduction in child maltreatment; decrease in number of days children spent in out-of-home placements; increased rate of family reunification	To be determined	N/A
NYC ABLE PFS Project for Incarcerated Youth at Rikers Island¹⁷	New York City, New York	Terminated	Moral reconnection therapy	Youth at or leaving Rikers Island	February 2013– August 2015	Recidivism bed days avoided	Quasi-experimental design	Failed to meet performance goals; ended August 31, 2015

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
Youth Works MKE ¹⁸	Milwaukee, Wisconsin	Unavailable at time of publication	Summer employment and enrichment program to reduce youth violence and juvenile justice involvement and increase school engagement and job readiness and placement	Youth who are justice involved or at risk of becoming justice involved	Unavailable at time of publication	Reduction in juvenile justice involvement, reduction in youth violence	To be determined	N/A
Families as Partners and Alternatives to Detention PFS Project ¹⁹	San Diego, California	Unavailable at time of publication	"Families as Partners" promotes reunification for children in foster care; "Alternatives to Detention" provides community-based alternatives for juveniles arrested and charged with an offense but who do not need detention	Youth who have been arrested and charged with an offense	Unavailable at time of publication	Reduction in juvenile delinquency, racial disparities in the juvenile justice system ²⁰	To be determined	N/A
Housing, Education, and Employment Initiative ²¹	San Diego, California	Feasibility	Supported housing, access to community college, and part-time employment	Formerly incarcerated or soon-to-be-released youth ages 14–29	April 2016–October 2017	Reduce recidivism, increase successful transition out of criminal justice system	To be determined	N/A
YouthStat ²²	New Haven, Connecticut	Unavailable at time of publication	Build positive networks through mentorship, academic tutoring, and career readiness training for youth at risk of juvenile justice involvement and absenteeism	Youth with high absenteeism and low grades in math and reading	Unavailable at time of publication	Reduced juvenile justice involvement will be studied but will not be a payment outcome	To be determined	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
Louisville IMPACT PFS Project ²³	Louisville, Kentucky	Unavailable at time of publication	Connection to addiction treatment services immediately upon release through either social or peer support or medication-assisted treatment	Adults leaving prison with substance misuse issues	Unavailable at time of publication	Reduction in recidivism rate	To be determined	N/A
Roadmap to Pay for Success in Philadelphia ²⁴	Philadelphia, Pennsylvania	Postfeasibility	Explored two relevant options: a workforce reentry transitional jobs program and a supportive housing intervention; also examined mental health interventions (cognitive behavioral therapy)	Unknown	N/A	Reduction in recidivism rate	To be determined	N/A
Ventura County, California Project to Support Reentry ²⁵	Ventura County, California	Implementation	Integrated services targeting criminogenic needs through community-based case management, moral reconnection therapy, trauma therapy, relationship skills building, and employment support	Medium- to high-risk adult probationers	4 years	Relative reduction in total rearrests and periods of time without rearrest	Randomized controlled trial and validated outcomes	N/A
Increasing Employment and Improving Public Safety in New York ²⁶	Rochester and New York City, New York	Implementation	Training and employment services for formerly incarcerated people	Formerly incarcerated adults	4 years ²⁷	Reduce recidivism (number of jail bed days) by at least 8%; increase employment by at least 5% ²⁸	Randomized controlled trial	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
Women in Recovery ²⁹	Tulsa County, Oklahoma	Implementation	Intensive outpatient treatment alternative to long-term incarceration for drug offenses	Criminal justice system-involved or formerly incarcerated women with substance misuse issues	5 years	Not specified	Unknown	N/A
Rhode Island Permanent Supportive Housing PFS Project	State of Rhode Island	Feasibility	Permanent supportive housing	Adults who are high users of homeless services, the criminal justice system, and emergency health services	January 2017–June 2023	Reduction in jail stays	To be determined	N/A
Reduce Missoula County, Montana Jail Overcrowding ³⁰	Missoula County, Montana	Not feasible ³¹	Drug court and diversion programming	Adults cycling through criminal justice system with drug and/or alcohol dependency	N/A	Reduction in recidivism, reduction in jail overcrowding	N/A	Not feasible
Larimer County Partnership ³²	Larimer County, Colorado	Unavailable at time of publication	Intervention to reduce recidivism and homelessness for individuals experiencing mental health and/or substance use disorders who have high use of community health services	Adults with mental health and/or substance misuse issues who are high users of public services	Unavailable at time of publication	Reduce recidivism	To be determined	N/A
Homes Not Jails ³³	Salt Lake County, Utah	Pilot	Rapid rehousing services (move-in support, temporary rental assistance, roommate matching for peer support and costs, intensive case management)	Homeless adults with high use of shelters and jail stays	6 years	Reduced time in jail or shelter; graduation to permanent locations, improved substance abuse treatment enrollment, improved	Randomized controlled trial	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
						behavioral health treatment enrollments		
Homelessness and Recidivism in Boise, Idaho ³⁴	Boise, Idaho	Feasibility (chose to move forward with a pilot instead) ³⁵	New program to address homelessness in general and recidivism specifically	Adults experiencing chronic homelessness, particularly formerly incarcerated people	N/A	To be determined	N/A	N/A
Community Supervision Alternatives ³⁶	Missoula County, Montana	Not feasible	Comprehensive supervision and monitoring, drug testing, and rehabilitative services	Justice-involved adults with drug/alcohol dependency issues; includes charged and convicted people as well as people not currently in system	N/A	Unknown	Unknown	Unknown
Crossover Youth Early Intervention ³⁷	State of Colorado	Unavailable at time of publication	Early intervention services for at-risk crossover youth who use services in multiple systems, particularly juvenile justice	Youth involved in multiple systems, especially juvenile justice	Unavailable at time of publication	Reduce further justice system involvement (to be determined)	To be determined	N/A
R.E.A.C.H. ³⁸	Salt Lake County, Utah	Implementation	REACH program, which incorporates evidence-based therapies, short-term and transitional housing support, and case management focused on addressing criminogenic risks	Formerly incarcerated men with high risks and needs	6 years	26,800 fewer jail/prison days and 225 fewer arrests; increased quarters of employment, program engagement	Randomized controlled trial	N/A
Permanent Supportive	Pima County, Arizona	Feasibility	Permanent supportive housing	Adults with history of homelessness, criminal justice	January 2018-	Reduction in contact with the	To be determined	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
Housing in Pima County, Arizona				system involvement, and high use of services	December 2021	criminal justice system		
Project on Youth Workforce Development³⁹	Denver, Colorado	Feasibility	Workforce development	Opportunity youth facing workforce barriers such as homelessness, involvement with foster care or justice systems, or disabilities	N/A	Improvement in workforce participation and outcomes ⁴⁰	To be determined	N/A
DFS One Stop Employment Centers⁴¹	Fairfax, Loudon, and Prince William counties, Virginia	Unavailable at time of publication	Workforce development, employment services, and educational attainment	Youth in the juvenile justice or foster care system	Unavailable at time of publication	Reduction in recidivism and increases in educational attainment, employment placement, retention, and earnings	To be determined	N/A
Intercept (Youth Villages)⁴²	Marion and Multnomah Counties, Oregon	Feasibility completed ⁴³	“Intercept” program is typically up to 6 months of family therapy, mental health treatment for caregivers, parenting skills, educational interventions, peer groups, linkage to services, and intensive case management	Youth previously placed on probation and screened as medium to high risk and at risk of out-of-home placement	Unavailable at time of publication	Reductions in crime and systems involvement for youth	To be determined	N/A
Scaling Restorative Community Conferencing PFS Project	Alameda County, California	Feasibility completed ⁴⁴	Restorative justice–based community conferencing to facilitate dialogue between justice-involved young	Justice-involved youth who have committed a crime with an identifiable victim	Unavailable at time of publication	Reduction in recidivism	To be determined	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
			people, their families, communities, and victims of crime to repair harm done					
Illinois Dually Involved Youth PFS Project⁴⁵	State of Illinois	Implementation	Evidence-based wraparound services based on rapid identification, intensive case coordination, and increased access to proven clinical and community-based programs	Youth involved in both juvenile justice and child welfare system	2016–20	Reduction in institutional care, reduction in delinquency, improvement in youth well-being	Randomized controlled trial	N/A
Hillside Intensive Community Asset Program (ICAP)⁴⁶	State of New York	Not feasible	Wraparound care management to meet immediate needs of youth and their families, create connections with community assets and supports, and develop and strengthen tools to cope with stresses	Youth adjudicated as juvenile delinquents but not yet sentenced	N/A	Reduction in out-of-home care (including in prisons or jails)	N/A	N/A
Alameda PC1170(h) Recidivism PFS Project⁴⁷	Alameda County, California	Unavailable at time of publication	Peer-based interventions to address chronic unemployment, substance misuse, access to services, positive relationships, and criminogenic thinking	Adult PC1170(h) recidivists	Unavailable at time of publication	Reduction in recidivism, reduction in jail bed days, reduction in criminal justice system costs, increased employment, increased earnings	Randomized controlled trial	N/A
Roca, Inc. Juvenile Justice PFS⁴⁸	Boston, Chelsea, and Springfield,	Implementation	Cognitive restructuring and skills development	High-risk male youth who are in the probation systems or	Intensive 2-year period followed by	Reduce (re)incarceration	Randomized controlled trial	N/A

PFS project name	Location	Status	Intervention description	Target population	Project period	Outcomes of interest	Evaluation design	Results
	Massachusetts			exiting the juvenile justice system	2 years of follow-up engagement	by 40%, increase employment		
Permanent Supportive Housing in Lane County, Oregon	Lane County, Oregon	Feasibility	Permanent supportive housing	Adults returning from jail or state prison who are high users of health care and criminal justice services and have a history of homelessness	July 2018–June 2023	Reduced recidivism, reduced use of criminal justice system (arrests, parole sanctions, jail bed usage)	Randomized controlled trial	N/A
Permanent Supportive Housing in Suburban Maryland	Montgomery and Prince George's Counties, Maryland	Feasibility	Permanent supportive housing	Adults with patterns of homelessness, criminal justice involvement, and histories of receiving costly services	July 2019–December 2021	Reduction in recidivism	Randomized controlled trial	N/A
Permanent Supportive Housing in Anchorage, Alaska	Anchorage and Matanuska-Susitna, Alaska	Feasibility	Permanent supportive housing	Adults with a history of high support needs to maintain permanent housing (including behavioral health supports and high emergency room use) who experience chronic homelessness and recidivism	October 2018–March 2022	Reduction in recidivism and perceived safety	To be determined	N/A

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