

Improving Outcomes for Transitional Youth

Considerations for Pay for Success Projects

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About the Pay for Success Initiative

The Pay for Success Initiative at the Urban Institute launched in 2015 with support from the Laura and John Arnold Foundation. It serves as a knowledge intermediary for the pay for success (PFS) field and works with government stakeholders, thought leaders, and other practitioners to promote evidence-based PFS efforts. Our work includes a library of research products that leverage Urban's expertise in evaluation and social programs and policies; training and technical assistance for jurisdictions interested in PFS nationwide; and communities of practice, like this one, that share lessons learned in PFS. All resources generated through the Pay for Success Initiative can be found on **pfs.urban.org**.

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Executive Summary

Transitional youth are young people ages 16 to 24 who leave foster care without being adopted or reunited with their biological families and/or who are involved in the juvenile justice system, where they may be in detention or subject to terms of probation. With childhoods often marked by trauma and a lack of stability, transitional youth face notoriously poor outcomes across many areas of life. Compared with their peers, they experience more interactions than average with the criminal justice system; suffer from mental health problems at higher rates; and struggle to complete postsecondary education, obtain and maintain employment, and secure stable housing.

The poor outcomes of transitional youth constitute a significant burden to public systems, and funding to support transitional youth can be limited and fragmented across systems and levels of government. Pay for success (PFS) may be one mechanism to fund programs that support improved outcomes for transitional youth. PFS is a form of outcomes-based financing in which private investors or philanthropies provide up-front capital to implement or scale an evidence-based social program. If an independent evaluator determines that the program achieved the desired outcomes—such as increasing high school graduation rates or reducing jail-bed days—the government will repay the initial investment with a potential return. PFS may provide an opportunity to address some of the challenges faced by transitional youth and the difficulties in serving them. For example, there are often clear gaps in services for transitional youth because they age out of care and because of varied funding sources that may not cover youth once they leave care. PFS can be used to scale or implement new programs that may fill these gaps. Further, because transitional youth are frequently involved in multiple systems, PFS may provide a cost-efficient way of paying for services by distributing the end payments among agencies that would benefit from improvements in certain outcomes.

To further explore this opportunity, the Urban Institute initiated a Community of Practice. The Community of Practice was a collaborative of researchers, practitioners, and local government officials that came together to discuss the most pressing challenges facing youth aging out of foster care and/or involved in the juvenile justice system and the potential for PFS to fund programs that address these challenges. This brief summarizes insights drawn from Community of Practice conversations and provides recommendations for local governments, service providers, and other partners considering PFS as a tool for financing interventions serving transitional youth. These recommendations are as follows:

- To manage reputational risk when implementing a new program, government partners
 can request that the PFS contract include an early termination clause allowing the
 government to end a project early if interim results suggest it is not working as intended.
- Those engaging in a PFS project should work with familiar partner organizations to help smooth an unfamiliar process. This can be accomplished by, for example, reaching out to existing funders or deepening existing relationships with service providers.
- Partners should identify the government entities that would benefit directly from a successful PFS project serving transitional youth in order to more cost-effectively pay for services and remove the disproportionate financial burden on any one agency.
- Differences in PFS stakeholder priorities can make consensus difficult, which is why
 outcomes should be transparent, collaborative, and include youth voices to help
 partnering jurisdictions and organizations think about which outcomes are important to
 their community.
- Programs for transitional youth are typically multidimensional and target many outcomes, but PFS repayments are typically based on one or two outcomes. Jurisdictions should track other outcomes of interest in addition to the repayment outcomes to build evidence and engage project stakeholders with other interests.
- The evidence base on programs specifically tailored for transitional youth is relatively limited. Partners could adapt an evidence-based program originally meant for a different or broader population for use in a PFS project serving transitional youth. In this way, PFS could be used as a vehicle to evaluate a promising program for transitional youth that may lack a rigorous evidence base.
- Whether or not a PFS project ultimately goes forward, organizations can use the exploration of PFS feasibility to initiate new partnerships and better coordinate around common outcomes.

Introduction

The move into adulthood can be a difficult time for all young adults, but the complex and multidimensional challenges facing transitional youth make it an especially fraught period. With childhoods often marked by trauma and a lack of stability, transitional youth face notoriously poor outcomes across many areas of life. Compared with their peers, they experience more interactions than average with the criminal justice system; suffer from mental health problems at higher rates; and struggle to complete postsecondary education, obtain and maintain employment, and secure stable housing (these issues are discussed more in the Population Overview section). Some youth have additional unique needs; they may be pregnant or parenting, face uncertain immigration status, or contend with discrimination based on their race, gender identity, or sexual orientation.

These outcomes, combined with fragmented funding for services that support transitional youth and a clear case of the "wrong pockets" problem (discussed further in the Pay for Success Overview section), provide a ripe opportunity to use pay for success (PFS) financing to support programs for transitional youth. In fact, several early and in-development efforts have applied PFS to programs serving transitional youth (discussed more in the Programs section). To further explore this opportunity, the Urban Institute initiated a Community of Practice (CoP). The CoP was a collaborative of researchers, practitioners, and local government officials that came together to discuss the most pressing challenges facing youth aging out of foster care and/or involved in the juvenile justice system and the potential for PFS (or other forms of outcomes-based financing) to make a difference.

This brief summarizes the insights yielded by CoP conversations and aims to provide a starting point for practitioners and state and local government officials interested in boosting the outcomes of transitional youth through PFS. In this brief, the term "transitional youth" refers to youth who have been involved with foster care and who might also be involved in the juvenile justice system through probation or detention. Policies, programs, and studies about transitional youth focus on different subsets of the population, and this brief makes those distinctions where applicable. The major emphasis in this paper is on youth in or leaving foster care, but we've also included resources pertaining to youth in the juvenile justice system.

In this brief, we first provide an overview of PFS. We then describe challenges faced by transitional youth, as well as the programs, funding streams, and research and data resources that seek to improve transitional youth outcomes. Next, we explore the PFS challenges, opportunities, and recommendations for stakeholders interested in implementing a PFS project targeting transitional youth outcomes. Finally, we provide recommendations for jurisdictions to shift toward an outcomes focus with this population, whether through PFS or other financing strategies.

What was the Transitional Youth and PFS Community of Practice?

The CoP was an informal collaborative that engaged in one-on-one and group conversations regarding the suitability of PFS to improve the state of outcomes, evidence, and funding for transitional youth.

Why was the CoP formed, and what were its goals?

A desire to understand the outcomes, funding, and programming landscape for transitional youth motivated CoP engagement. Conversations were driven by the following questions:

- What does success look like for this population? What outcomes are most important or desirable for transitional youth?
- What are the specific funding challenges and service gaps facing organizations, including federally funded and nonprofit- or philanthropy-funded service providers, trying to serve transitional youth?
- Given the multidimensional needs of many transitional youth, where is there the greatest opportunity for partnership among public, nonprofit, and private organizations and systems that serve them?

Later CoP conversations used that information to evaluate whether and how PFS might address challenges for programs and organizations serving this population.

When was the CoP convened?

The Urban Institute convened the CoP in August 2017; engagement concluded in July 2018.

Who was part of the CoP?

The CoP comprised experts from 15 organizations and included government officials, service providers, and researchers with expertise in PFS or transitional youth. The full membership is described in the Acknowledgements of this brief.

Pay for Success Overview

PFS is a form of outcomes-based financing in which private investors or philanthropies provide up-front capital to implement or scale an evidence-based social program.¹ If an independent evaluator determines the program achieved the desired outcomes—such as increasing high school graduation rates or reducing jail-bed days—the government will repay the initial investment with a potential return. PFS enables investors to invest in people, gives service providers access to needed funding, and lets state and local governments spend taxpayer dollars on programs that work. Twenty-two PFS projects are active in the United States; the majority focus on housing/homelessness and criminal justice.

Who Is Involved in a PFS Project?

A PFS project typically involves five main actors in addition to the beneficiaries of the project's services:



The **government** influences the topic area (such as criminal justice, housing and homelessness, or education) and serves as the "end payor" if the program is successful.



The **investor** provides the initial capital to fund service delivery and will be repaid only if the program improves participant outcomes.



The **evaluator** conducts an independent evaluation of the program to determine if it achieved the desired outcomes.



The **service provider** delivers program services.



The **intermediary** is a coordinating entity that supports PFS projects in several ways, such as contributing to the evaluation design, aiding in raising capital, and structuring the final terms of the project.

How Does a PFS Project Work?

PFS projects are projected to take 5 to 10 years from conception to completion. The life of a PFS project has four phases:



Feasibility. Feasibility assesses the probability that the program can improve priority outcomes for the jurisdiction, that the program can be implemented with fidelity, and that any change in outcomes can be measurable. Project partners, often led by a government stakeholder, thoroughly describe the population and problem, identify a promising solution, make assumptions to estimate the costs and benefits, and outline necessary steps before implementation. Activities in this phase can include setting up integrated data systems; defining eligibility criteria, referral pathways, and enrollment procedures; and identifying outcomes of interest.



Structuring. If a PFS project is feasible, the partners then identify additional project partners, which at this stage typically include investors, service providers, and evaluators. All partners will then decide on repayment outcomes and other outcomes of interest to track, set the terms of repayment, determine project governance, and draft and execute the contract.



Implementation. PFS partners may decide to run a pilot to test implementation procedures and make any corrections before the actual project begins. After the pilot period (if there is one), the service provider begins to deliver program services, but all PFS stakeholders are involved in project management (with specific roles differing by project).



Evaluation. Evaluators analyze outcomes data to determine if the threshold for repayment has been met, and they potentially conduct a process evaluation to determine why the program yielded the results it did. An independent validator may also be asked to confirm the evaluator's conclusions (Gillespie 2016).

The Key Considerations and Recommendations section discusses potential benefits of the PFS model and whether these benefits make PFS well suited to funding programs serving transitional youth.

Population Overview

Transitional youth are young people ages 16 to 24 who leave foster care without being adopted or reunited with their biological families and/or who are involved in the juvenile justice system, where they may be in detention or subject to terms of probation.² Transitional youth "age out" of foster care through emancipation or because they reach the age of majority in their state and are no longer eligible for services. Transitional youth in secure detention may be released from the juvenile justice facilities and lose access to services upon release. Transitional youth often face poor outcomes and are involved in several social service systems, making interventions that target this group complicated or expensive. PFS may provide an opportunity to fund and scale programs that target transitional youth outcomes.

Youth can be placed in foster care for many reasons, such as abuse and neglect by family members; incarceration, illness, or death of guardians; or severe behavioral problems. Youth in foster care have typically experienced significant trauma. They often lack close connections to supportive networks, such as schools and community organizations, and the financial and emotional backing from their biological or foster families that typically ease the transition to adulthood for their peers. Further, youth in foster care tend to come from populations that are already vulnerable. Minority children are placed in foster care at higher rates than their white peers: of the 437,465 US children in foster care in as of September 30, 2016, 23 percent were African American; 21 percent were Hispanic; and 12 percent were Asian, Pacific Islander, or another nonwhite race. Children under five constitute 39 percent of the foster care population (Children's Bureau 2017b). And the proportion of youth in care who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ) is nearly twice that of youth not in care.

These factors contribute to comprehensively poor outcomes for youth in care, which often continue into adulthood (Courtney et al. 2017). These outcomes are often compounded, and transitional youth can be costly to many social services. PFS can bring together support and funding from several stakeholders and agencies, and current PFS projects have addressed some of these difficult issues for other populations. The poor outcomes faced by transitional youth include the following:



Educational attainment. Youth in foster care exhibit higher dropout rates and are three times more likely to lack a high school diploma or a GED at age 26.



Employment and economic security. Alumni of foster care have higher rates of unemployment than others in their age group, and those who do work earn significantly less than those not in the system—about \$18,000 less per year, on average.



Homelessness and housing stability. Between 12 and 22 percent of youth who have exited foster care have experienced at least one night of homelessness, with the majority experiencing multiple spells of homelessness (Courtney et al. 2001). Housing instability is also high for this population—a third of 21-year-olds interviewed in the *Midwest Evaluation of the Adult Functioning of Former Foster Youth* had moved three times or more since emancipation (Courtney et al. 2011).



Pregnancy and early parenthood. The rate of parenthood at 21 for both women and men in this group is more than double that of the general population—56 percent of women and 30 percent of men (Courtney et al. 2007).



Physical and mental health. Youth who are in or have exited from foster care experience mental health problems at higher rates than their peers (Courtney et al. 2007). They may also experience more physical health problems. Although youth in foster care typically have better access to health services than others in their age group, this level of access may not continue after emancipation (Kushel et al. 2007; McMillen and Raghavan 2009).



Healthy relationships with adults. In addition to the traumatic circumstances that led to foster care placement in the first place, many foster care youth experience instability in the form of multiple out-of-home placements, which can exacerbate behavioral problems and contribute to difficulty maintaining positive relationships in adulthood (Courtney, Terao, and Bost 2004). Youth who are or were in foster care often remain in contact with their families of origin, but these relationships can be both a connection and a strain (Samuels 2008).



Social behavior and risk taking. Youth in foster care "are more likely than other youth to engage in problem behaviors, including illegal substance use, crime, and intimate partner violence, during the transition to adulthood" (Courtney et al. 2017, 22).

About 20,500 youth were emancipated from foster care in 2016 (Courtney et al. 2017). Of the total number of children remaining in foster care, 64,000 were ages 16 to 20, making up around 15 percent of the total foster care population. Youth involved in the juvenile justice system or on probation experience many of the same poor outcomes as those involved in the foster care system (Altschuler et al. 2009, 8). They often also face difficulty reenrolling in high school, discrimination in applying to jobs and to college, and reduced access to forms of public support such as housing assistance.³ Youth who exit the juvenile justice system may also lose access to services they received while in the system, such as mental health care and education supports (Altschuler et al. 2009, 8). As of 2015, approximately 50,000 justice-involved youth exited secure and residential facilities each year.⁴ Men and youth of color are overrepresented in the

juvenile justice system relative to their peers: non-Hispanic black males have the highest rate of juvenile residential placement.⁵

By some estimates, over 50 percent of youth referred to the juvenile court system also have had contact with the child welfare system (Thomas 2015). So-called crossover youth are disproportionately low income, female, and youth of color that typically have high rates of truancy and school drop-out, unidentified special education issues, and family histories of mental illness, substance abuse, domestic violence, and criminal behavior. Crossover youth often face additional issues caused by the lack of coordination between the child welfare and justice systems, which may not be managed at the same level of government (Thomas 2015, 3). A 2015 study found that six years after exiting from either of these systems, crossover youth interacted with New York City health and human service systems at higher rates than youth who were just involved in foster care or the justice system. This higher system use meant that services for crossover youth cost city systems an estimated \$65,424 over the six years after system exit, compared with \$47,854 for youth who exited only the justice system and \$46,670 for those who exited only the foster care system. The study replicated a 2011 study in Los Angeles County and yielded similar results (Center for Innovation through Data Intelligence 2015, 3).

Although the population of youth transitioning out of foster care broadly experience the challenges described previously, individual circumstances, goals, and needs vary greatly. Young parents will need different resources than other transitional youth, for example, and women, people of color, and LGBTQ youth may encounter additional barriers. To account for the unique situations and preferences of each person exiting care, child welfare systems are required to develop a transition plan with youth in the 90 days before emancipation (US Department of Education 2016, 7).

Cost and Funding

There is a strong financial case for new funding approaches, such as PFS, to supporting transitional youth. The poor outcomes of transitional youth constitute a significant burden to public systems. One report estimates that each youth who ages out of foster care costs taxpayers \$300,000 over the course of his or her lifetime, at a total population cost of nearly \$8 billion (Annie E. Casey Foundation 2013a). A 2013 report by the Jim Casey Youth Opportunities Initiative broke down the societal costs of the status quo to systems, the youths themselves, and other affected parties. Across the population of youth aging out of foster care, high school incompletion costs \$2.3 billion, teen parenthood cost \$249.9 million, and incarceration costs \$5.2 billion (Annie E. Casey Foundation 2013b). These estimates require many assumptions. At the same time, transitional youth struggle with many challenges beyond those related to the four

outcome areas captured by this analysis. The costs to multiple systems provide an opportunity for PFS, which can draw end payors from different agencies and reduce the burden on one system to fund services for transitional youth.

Research demonstrates that transitional youth need augmented support as they enter adulthood, and several funding sources and programs exist to provide this assistance. But leveraging multiple separate sources of funding (which are often paltry relative to the size of the transitional youth population) and considering their range of needs (each with its own requirements and restrictions) can be a major barrier to effectively serving transitional youth. PFS can bridge these gaps in funding and supplement, rather than replace, existing resources and services—though it is not an appropriate funding mechanism for critical services that the government should be funding outright, such as foster care or Child Protective Services investigations. If a PFS program manages to improve outcomes for transitional youth that save money, it could alleviate some of the financial burden on public systems.

The federal government has two sources of general support funding for transitional youth: the Fostering Connections to Success and Increasing Adoptions Act and the John H. Chafee Foster Care Independence Program (CFCIP). Both provide much-needed funding for services for transitional youth, though there remain clear gaps in funding that PFS could potentially address.

The Fostering Connections to Success and Increasing Adoptions Act has a range of goals, including promoting child placement with kin, sustaining connections to immediate family members, and boosting the number of adoptions for youth in state care. It also amends Title IV-E of the Social Security Act, which mandates that the federal government reimburse states for expenditures on children in foster care, to allow for extending the age of eligibility from 18 to 21 years old. Historically, young people were considered adults at age 18 and were thus no longer eligible for services available to youth in foster care. However, research suggests that youth who remain in care longer experience better outcomes. Despite the extension of eligibility in some states, only 25 percent of 18-year-olds remained in care for another year in 2014.8 Of the youth that exited care, 77 percent aged out, demonstrating the sharp drop-off in the number of youth served beyond age 18 and how large a population can suddenly lose access to services. PFS might provide an opportunity to fund or scale programs that support youth who abruptly find themselves with a lack of care or services.

States that choose to increase the age of majority from 18 to 21 receive monetary federal support to serve older youth in care. To date, 25 states and the District of Columbia have extended foster care beyond age 18. (To be eligible for these funds, youth must be continuing education, participating in workforce training, or employed for at least 80 hours a month, or they must have a medical condition that prevents them from these activities. Similar principles are commonly applied to other state resources for justice-involved youth.) Leaving the decision

of extending care to individual states has also created a range of ages at which youth leave the foster care system. However, states that have not extended foster care leave a gap in services and funding for youth that may create increased costs to other systems used by youth after transitioning out of care.

CFCIP also offers grants to states and tribes to support activities that promote self-sufficiency for youth who are or have been in foster care. In 2002, the Educational and Training Vouchers Program for Youth Aging Out of Foster Care was added to CFCIP. It authorizes additional resources to meet the educational and training needs of transitional youth and young adults up to age 26 who were in foster care. The 2018 budget allocated \$140 million to CFCIP (the same amount as when the program was first authorized in 1999), with an additional \$43 million for the Educational and Training Vouchers Program for Youth Aging Out of Foster Care.

CFCIP and the Fostering Connections to Success and Increasing Adoptions Act represent general support for a range of transitional youth's needs. Other relevant federal funding streams are targeted at transitional youth within a specific topic area; make special provisions for transitional youth in a larger program; or are broader federal supports that transitional youth can benefit from, such as the Section 8 Housing Choice Voucher Program, Medicaid, and Pell grants. These federal resources are supplemented by funding and programming by state and local governments, nonprofits, and foundations committed to helping transitional youth age out successfully. Some of these programs are described in the next section. Governments considering using PFS to serve transitional youth should consider the feasibility of these resources as potential investors or end payors.

Other emergent sources of funding may be a promising new way to support interventions for transitional youth. The 2018 Bipartisan Budget Act contained the Social Impact Partnerships to Pay for Results Act, which authorized a federal \$100 million standing fund to support PFS feasibility studies and outcomes payments. The act specified 21 focus areas; about one-quarter of these directly concern youth who are in or at risk of entering foster care or the juvenile justice system. Overall, about half of the focus areas contain provisions (such as workforce development) that can apply to the transitional youth population. The Bipartisan Budget Act also includes the Family First Prevention Services Act, which supports child welfare services through Titles IV-B and IV-E, by directing resources toward a range of trauma-informed measures. 12

In all, the realities of patching together funding from a multitude of sources to comprehensively serve transitional youth constitute a significant bureaucratic burden on government agencies and nonprofits. Many jurisdictions and organizations don't have the capacity to effectively manage myriad funding streams, potentially leading to shortfalls in capital and gaps in services. Even when they secure sufficient funding from several sources, jurisdictions often need to

navigate differing eligibility criteria and complex reporting requirements per funding stream. The Key Considerations and Recommendations section considers how PFS projects may help address challenges related to funding programs that involve several systems.

Programs

The complex needs of youth exiting the foster care and juvenile justice systems, and the web of resources available to support them as they transition to adulthood, have led to the development of a range of interventions. Pay for Success could be used to scale interventions with evidence of success to serve more youth.

Several state and local governments have developed or are considering PFS projects targeting transitional youth or similar populations. Colorado has recently launched three PFS projects that aim to improve outcomes for at-risk youth in foster care or the criminal justice system. These projects include funding school-based supports for youth in foster care, an expansion of multisystemic therapy for youth involved in the juvenile justice system, and rapid responders that connect runaway youth to essential services. The investors in these projects will be repaid on outcomes including improved school attendance and course completion, reductions in secure detention, charges, and out-of-home placement.

Marion County, Oregon, conducted a feasibility assessment to determine if PFS would be a viable funding mechanism for programs that target youth on probation who were at risk of out-of-home placement. Tulsa, Oklahoma, is exploring using PFS to fund permanent supportive housing for youth transitioning out of the foster care or juvenile justice systems and who may face mental health challenges. Although these programs are still in development and have not yet launched, they demonstrate how localities are considering PFS as a model for addressing gaps in services for transitional youth.

Some stakeholders might find, either before or during implementation, that a PFS project in their jurisdiction is not feasible. For example, the Illinois Dually-Involved Youth PFS Initiative offers a range of wraparound services to young people who have spent time in both foster care and the juvenile justice system; it aims to reduce days spent in congregate care, detention, and incarceration and improve youth well-being overall. After launching a pilot in November 2015, PFS partners faced many financial complexities and inadequate funding and decided to stop funding the intervention through PFS. Although they are not continuing with PFS, the intervention is still being implemented, with the PFS benefit of adding outcomes-based financing measures.

Beyond these early examples, local leaders interested in using PFS to support transitional youth might consider the fit of a range of intervention types. Programs that serve transitional youth vary in their population and geographic focus areas, scope of services, eligibility criteria, and providers. Some are operated directly by government staff, while many others are operated by nonprofit organizations. The majority of states have state-administered child welfare systems, but some more populous states, including California, New York, and Virginia, have county-administered child welfare systems.

Interventions may target a particular area of need for transitional youth, such as supports for stable housing, employment skills, or health care access, or they may take a multidimensional approach that provides an array of wraparound services, often including mentorship and professional case management, to address multiple challenges for the youth. Several participants in the CoP emphasized that although the case management function common to many programs is aimed at guiding transitional youth through a range of critical long-term goals, case managers spend a great deal of time ensuring that basic needs such as food security and safety are met. This work is fundamental to achieving other positive outcomes, but it may be harder to capture in outcomes reports or impact evaluations.

One prominent example of a program providing multisector services is YVLifeSet, a program by Youth Villages. Counselors in the program, called YVLifeSet specialists, can help participants secure stable housing, navigate completing high school and applying to college, seek and maintain employment, apply for medical insurance, learn money management skills, and develop parenting skills, among other types of assistance. The program has served more than 11,000 young adults since 1999 and targets youth ages 18 to 24 who have left or aged out of foster care or have been released from juvenile justice custody. The program mainly serves youth ages 17 to 22 aging out of state care and operates in 10 states—Youth Villages runs the program directly in 7 states and partners with local nonprofit organizations in 3.

Many intervention models combine housing support with case management and counseling services for transitional youth. Examples include My First Place by First Place for Youth and the federal Transitional Living Program, which serves homeless youth ages 16 to 22.

Other interventions focus primarily on employment or education while still frequently employing case management and counseling services. For example, Learn and Earn to Achieve Potential partners with organizations in 10 states to help transitional youth complete high school and build skills that will improve their success in postsecondary education and the workforce (Annie E. Casey Foundation 2017). College success programs such as Seita Scholars at Western Michigan University and b2b at Peralta Community College District likewise support educational attainment for transitional youth, and career-readiness and job placement programs such as

Mentoring Youth to Inspire Meaningful Employment focus on employment outcomes. The Jim Casey Youth Opportunities Initiative's Opportunity Passport program supports education, employment, and housing outcomes through an asset-building model. This matched savings program provides transitional youth with "financial literacy training, a bank account, and the ability to match their savings to purchase assets." These purchases, which can include cars and spending related to housing and education, are made in consultation with trusted adults to bolster decisionmaking skills. The program's data show that participants have higher rates of employment, participation in school, and housing stability.¹³

Programs serving youth exiting juvenile detention emphasize continuity of care along all points in the reintegration continuum: correctional placement in a facility, transition from the facility to community aftercare, and ongoing role in the community (Altschuler and Bilchik 2014). Although research has been relatively limited on youth aftercare and reentry, the evidence suggests the beneficial impact these programs can have on youth outcomes. ¹⁴ The Family Integrated Transitions program has been shown to reduce recidivism among youth with co-occurring mental health and substance abuse disorders leaving institutional placement. Similarly, the Parenting with Love and Limits diversion program lowered rearrest and recommitment rates of court-involved youth through structural family therapy and other transition services. Assessments such as the Positive Achievement Change Tool can help identify youth who are more likely to reoffend and guide decisions about their placements and appropriate therapeutic interventions (Altschuler and Bilchik 2014). Cognitive-behavioral therapy can help youth respond to anger and set personal goals. The Second Chance Act of 2008 has also funded many promising juvenile reentry interventions across the country that are beginning to demonstrate positive impacts on youth outcomes (Hussemann, Liberman, and Parks 2017).

Many communities have programs that focus on family engagement. Lancaster County, Nebraska, for instance, pairs foster families whose child has been placed in the Youth Rehabilitation and Treatment Center with family advocates who have previous experience with the facility. The advocates are available during court hearings and family group nights at the detention center, and they serve on a reentry team alongside transition specialists and school staff (Altschuler and Bilchik 2014). Creating a "partnership around release" and providing support to help youth plan for the future and connect with adults who have a stable presence in their lives have wide-ranging positive effects and reduce rates of reoffending (Altschuler and Bilchik 2014). These interventions can be more difficult to implement among crossover youth whose relationships to supportive adults and to social service agencies may be in flux simultaneously.

The examples described above illustrate just some of the types of programs that have been developed to support transitional youth. Regardless of the outcome or outcomes a program

prioritizes, many interventions recognize the fundamental interconnectedness of the problems facing transitional youth—for example, that housing stability is essential to achieving educational and economic success. Many interventions also center the perspective of youths themselves in developing services and setting goals. To approach the needs of transitional youth in a comprehensive, responsive manner, CoP members described how nonprofit and philanthropic organizations have produced frameworks and theories of change that aim to improve current practices and guide future investment and research.

These frameworks draw on a wide variety of evidence, including research on adolescent brain development and data on long-term youth outcomes. For example, the Youth Transitions Funders Group's Connected by 25 plan outlines six linked well-being domains for older youth in foster care that contribute to success in adulthood: intellectual potential, social development, mental wellness, physical health, safety and permanency, and economic success (Langford and Badeau 2013). It uses these domains as a basis for recommendations on investment strategies to expand community supports, improve cross-system functioning, and build evidence about how to better measure well-being outcomes and design new interventions focusing on well-being. Other examples of these frameworks include Youth Thrive by the Center for the Study of Social Policy and the Crossover Youth Practice Model from the Center for Juvenile Justice Reform at Georgetown University.

Data and Evidence

Outcome evaluations are a critical step in PFS projects because they are used to determine whether the threshold for repayment has been met and to build the evidence base for effective programs. Randomized controlled trials are considered the gold standard for evaluation because they can establish causal connections between program services and outcomes, but other evaluation designs can also provide keen insight into effective practices for this population. Although many programs serving transitional youth demonstrate anecdotal success, relatively few rigorous impact evaluations have been carried out on programs serving transitional youth. Although a lack of rigorous evidence can sometimes be an obstacle to PFS, it can also provide an opportunity to build evidence on programs and scale the ones that work.

CoP members discussed how the ongoing development of new approaches to better serve transitional youth will depend in part on bolstering data systems tracking outcomes for this group. Comprehensive and reliable data in topic selection, active project management, and program evaluation form the foundations of a strong PFS project. Jurisdictions preparing for

a PFS project should examine their existing data infrastructure and determine its strengths and weaknesses. The PFS planning process can provide an opportunity to build better local integrated data systems, which would create benefits beyond the project by providing more reliable data on transitional youth in places where such systems don't currently exist.

A few data systems track outcomes for transitional youth that might be used for informing PFS projects, though some may not be appropriate for tracking project-level outcomes, and some have weaknesses that would need to be addressed if considering their use in PFS. The National Youth in Transition Database (NYTD) was created by the Administration for Children and Families under mandate from the CFCIP program. However, the NYTD has its limitations. The comprehensiveness of the data is based on youth response rates, creating the potential for nonresponse bias. Participants in the CoP expressed concerns about self-administering the survey and a lack of reporting from states, which may skew the data and limit their value for assessing and improving program performance. The Children's Bureau is working to improve NYTD data collection to increase the accuracy and reliability of the data (Children's Bureau 2017a).

Local integrated data systems, which link individual-level data across several agencies and departments and are useful for program management and evaluation, can be a useful tool for measuring outcomes and impact in a PFS project. Because transitional youth are often involved with multiple systems, integrated data systems can help direct efforts to serve this population and understand impacts on different outcomes. For example, the Department of Human Services in Allegheny County, Pennsylvania, manages the DHS Data Warehouse, which supplements internal human services data with data from nearly 30 other sources, including the Pennsylvania Department of Human Services, Allegheny County Medical Examiner, and almost 20 school districts. Illinois' Integrated Database on Child and Family Programs, managed by Chapin Hall at the University of Chicago, was one of the first integrated data systems, and Los Angeles County, California, and the State of Washington also have notable integrated data systems.

Although evidence of positive impact is key to pricing outcomes for funding programs through PFS, CoP members noted significant barriers to building evidence about interventions serving transitional youth. First, though members of the CoP agree service providers have some appetite to perform rigorous impact evaluations of their programs, several noted that high costs, small sample sizes, and ethical and political considerations can complicate the use of randomized controlled trials for this population. Further, many small providers may not have the resources or staff capacity to effectively collect and store the data to conduct an evaluation. Second, longitudinal studies to track youth outcomes in the long term can be incredibly useful, but they are expensive, and tracking youth who are not currently enrolled in services presents data collection challenges. Studies such as the Multi-Site Evaluation of Foster Youth Programs and

the CalYouth study illustrate that good response rates are feasible if funding is available to continue to follow up with youth.

Key Considerations and Recommendations

Given the poor outcomes faced by transitional youth and the difficulty of securing funding for this population, PFS may be a useful tool for financing interventions serving transitional youth. New laws such as the Social Impact Partnerships to Pay for Results Act and the Family First Prevention Services Act show federal policy momentum for PFS and child welfare innovation that jurisdictions may want to use to address their child welfare priorities. But governments should consider some important challenges and opportunities that inform the feasibility and planning process for a successful PFS project serving transitional youth.

These challenges and opportunities are described here in the context of five key potential benefits of the PFS model.¹⁶



By aligning with project partners committed to better social outcomes, governments can transfer some of their risks to partners better positioned to assume them. These partnerships enable social programs that would not otherwise have gone forward—either because of a lack of funding or because of political and reputational concerns around launching an ambitious social program—to be implemented, creating an opportunity to break the status quo to improve outcomes.

CHALLENGE

Government officials may be cautious in trying new measures because of the risk of the new policy failing or having unintended negative consequences. By having philanthropies or private investors pay for a social program up front, governments can avoid assuming the majority of the financial risk in a PFS project and only repay based on agreed-upon results. But if the policy does not succeed—or in the rare case that the program is harmful—government agencies and officials still face significant reputational risk.

RECOMMENDATION

To manage reputational risk, government partners can request that the PFS contract include an early termination clause to end a project early if interim results suggest the **program is not working as intended**. Early termination clauses can save investors money by stopping funding for an ineffective social program and enable all partners, including the government, to redirect their time and resources to other more fruitful efforts. This was the case in the first PFS project in New York City, which adapted Moral Reconation Therapy to a new setting (jail) and a new population (adolescents ages 16 to 18). However, evaluators found the program was not producing the desired outcomes of reduced recidivism among program participants. Per the early termination clause, partners ended the project early. Although the program itself did not work, the PFS mechanism functioned as intended: PFS seeks to fund programs that work, and because this one didn't, it was terminated.



PFS BENEFIT 2

PFS projects can bring together new stakeholders to focus on a social problem, forging a culture of collaboration in social services.

The diversity in PFS stakeholders promotes open communication channels among entities that typically do not collaborate. 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 important governance principles, such as cross-sector partnerships, data-driven decisionmaking, and evidence building, that are broader than a single project.

OPPORTUNITY

PFS provides a way to bring various stakeholders serving transitional youth together, creating opportunities for frank conversations, information sharing, and collaboration that might not have occurred otherwise. Many stakeholders are already acting to improve the lives of transitional youth, such as state and local government officials, service providers, and social workers. In some cases, these stakeholders may carry out their activities in parallel rather than in conversation with each other, which can lead to duplicative or contradictory efforts, potentially making it difficult for youth to access all the services they need. Coordinating activities and working together can yield better-informed efforts in the future.

RECOMMENDATION

Those engaging in a PFS project should work with familiar partner organizations to help

smooth an unfamiliar process. The time and resources that go into collaboration should not be underestimated. Email communication, meetings, and revised workflows characteristic of collaborative projects can contribute to a learning curve that initially makes a PFS project time consuming. Working closely with familiar organizations helps make the process easier to navigate. This can be accomplished by reaching out to existing funders or deepening existing relationships with service providers, among other options.



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.

This problem can occur when a population uses services that are funded by different agencies or departments (Roman 2015). An agency that chooses to fund an intervention for transitional youth will not reap the full financial benefit because the cost savings accrue to other agencies and departments that are also serving this population. 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 work together to implement and finance the intervention.

OPPORTUNITY

PFS might be an option for addressing the wrong pockets problem as it applies to programs serving transitional youth. The poor outcomes faced by transitional youth have cost implications for several public systems, because services for transitional youth are split across different government departments and nonprofit providers. This can disincentivize funding certain programs and services that are beneficial for transitional youth and that can potentially lead to long-term cost savings across departments but that are not "cost-beneficial" for any individual agency. PFS may be able to encourage the implementation of transitional youth programming by distributing the costs and benefits of the programs across several stakeholders.

RECOMMENDATION

PFS partners should identify the governmental entities that would benefit directly from a successful PFS project serving transitional youth. In a PFS project, success payments can come from a conglomerate of end payors, enabling each agency that benefits from the impact of the PFS project to repay investors. Moreover, because funding for services for

transitional youth is split across federal, state, and local levels of government, PFS partners can also seek end payors across those levels. For example, a PFS project in New York is aiming to reduce recidivism, increase earnings, and promote employment among a group of young men recently released from prison. If it meets the outcomes targets, both the New York Department of Labor and the United States Department of Labor have agreed to repay investors. Splitting end-payor responsibilities among multiple entities removes a disproportionate financial burden from any one agency or department, lowering the barrier to implementing an evidence-based social program.



PFS BENEFIT 4

PFS reorients government and service providers toward outcomes.

Governments typically pay for services based on outputs (e.g., the number of hospital beds filled). But PFS stakeholders are interested in whether services lead to meaningful improvements in the lives of the people served. This focus on outcomes enables PFS projects to focus on the quality of the services delivered and builds flexibility into service delivery so that PFS projects can make course corrections and maximize the chances of improving 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.

CHALLENGE

Fundamental differences in PFS partners' priorities can make finding consensus difficult, which could prevent a PFS project from being feasible. Moreover, the different circumstances and needs of young people transitioning from care could make it difficult to create standardized success metrics in a PFS project. Which outcomes qualify as successful depend on the entity or person defining success, as well as the specific subset of transitional youth. There may be a mismatch between which outcomes counties or states require community-based organizations to track as part of funding requirements and which outcomes community-based providers see as the highest priority among the youth they serve. Both of these outcome priorities may also differ from youth's priorities: one CoP member highlighted the occasional dissonance between a program's definition of success and what a program participant would personally consider success. This emphasizes the importance of youth voices in choosing appropriate outcomes; in fact, some programs explicitly have youths identify and set the goals the program helps them achieve. But this degree of variation could make it difficult to determine standardized outcomes, which

would be needed for a PFS project. And although transitional youth in general face broad challenges such as completing secondary and postsecondary training or education, obtaining employment, and securing stable housing, different subsets of transitional youth confront additional challenges to self-sufficiency, such as the responsibility of parenting or difficulty navigating public resources without US citizenship.

RECOMMENDATION

Create a transparent and collaborative process of selecting outcomes during the feasibility phase to help partnering jurisdictions and organizations think together about which outcomes are important to their community. PFS partners should strive for transparent and frank conversations about the outcome areas that each partner prioritizes, potentially yielding consensus on one or more outcomes that a PFS project would focus on. For example, the service provider First Place for Youth worked with Alameda County, California, to create an outcomes reporting template to set standards for which information should be collected in efforts serving transitional youth. Agencies might not know which information should be collected, especially because this is a relatively new and unfamiliar population for them (foster care was only recently extended in California). However, First Place for Youth already collected data on a comprehensive range of outcomes for transitional youth and was well positioned to develop the metrics for the outcomes-reporting template. The perceived benefit of this outcomes-reporting template is that service providers across Alameda County can monitor and report on a standard set of outcomes. Ultimately, the hope is that it will help the county move further toward performance-based contracting.

The process of collaboratively selecting outcomes can also draw on the voices of transitional youths themselves to balance which outcomes are societally beneficial and which are most significant for each participant. Existing theories of change, such as the Center for the Study of Social Policy's YouthThrive, incorporate concerns around meeting basic needs and instilling lasting values and can inform these efforts. Not only can this process yield an immediate benefit to the budding PFS project, the framework can inform ongoing, non-PFS efforts to serve transitional youth and potentially lead to data-sharing efforts.

RECOMMENDATION

Track other outcomes of interest in addition to the repayment outcomes. Programs for transitional youth are typically multidimensional, targeting several varied outcomes. However, repayments in PFS projects are typically based on one or two outcomes. Often, stakeholders want to build evidence on other outcomes not tied to payment, or a range

of project stakeholders have different areas of interest. Tracking additional outcomes is not uncommon in existing PFS projects, and collecting this information typically poses minimal additional cost to project partners. For example, the Juvenile Justice Pay for Success Project in Massachusetts implements Roca's Intervention Model, which aims to disrupt the cycle of early incarceration and subsequent recidivism. Although PFS repayments are based on the number of jail-bed days avoided, job readiness, and increases in employment, the project also tracks the education-focused metrics of high school or GED completion and college enrollment.

RECOMMENDATION

PFS partners should carefully define their target population, select appropriate outcome areas, and design the evaluation accordingly to ensure the matched comparison group is similarly composed. Each subset of transitional youth will have a different likelihood of achieving certain outcome thresholds based on their varying experiences. Let's say the government in a PFS project will repay investors if the evaluation finds a statistically significant increase in high school graduation rates among program participants relative to the comparison group. The likelihood that a young person who has never held a job will achieve that outcome may be different from that of a young person who has previously had employment. PFS projects and evaluations that do not distinguish between subgroups and their different probabilities of achieving certain outcomes may under- or over-report the effectiveness of the program. This doesn't contribute to a strong evidence base for the program and could lead to incorrect success payments (or a lack thereof) to investors. PFS evaluations may also offer opportunities to identify and track different outcomes achieved by different population subgroups.



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 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.

CHALLENGE

Few programs for transitional youth have undergone rigorous evaluation, and investors may balk at investing in a PFS project that implements a relatively unproven program.

Programs with some degree of evidence are ideal for PFS projects because they enable investors, end payors, and other stakeholders to estimate risk, set appropriate outcome payments, and design projects with the best chance of success. As such, the relative lack of rigorous evaluation of programs serving transitional youth may hinder the development of PFS projects. Moreover, CoP conversations surfaced concerns that evaluations and outcome reporting, among other practical considerations, can pull financial resources and staff time from the more important work of serving youth in need. But although evaluations can often be expensive, there are ways to promote evaluation and evidence-building that minimize trade-offs in staff time and resources. By actively seeking opportunities to work with local universities and governmental or philanthropic partners committed to supporting rigorous evaluation, jurisdictions may receive funding or evaluation assistance to minimize the need to divert existing resources.

RECOMMENDATION

PFS partners could adapt an evidence-based program originally meant for a different or broader population to improve outcomes for transitional youth. Despite the limited evidence base for programs tailored to transitional youth, CoP members highlighted that there have been rigorous evaluations of services, such as permanent supportive housing and cognitive behavioral therapy, that can and are being used to address discrete needs of transitional youth. The evidence behind such programs can make the PFS project a more attractive opportunity for potential investors. These types of programs may be good candidates to adapt to the population of transitional youth within the context of a PFS project. Note that because the needs of transitional youth are different or go beyond those originally served by these programs, there is a chance the program will not be similarly effective for transitional youth. In this case, building a rigorous evaluation design into the PFS project can test whether the program works for transitional youth and ensure investors are repaid the proper amount.

RECOMMENDATION

PFS could be used as a vehicle to evaluate a promising program for transitional youth.

PFS is not necessarily limited to programs with extensive and rigorous evaluations of their effectiveness. Indeed, programs known to be effective for the population and locality in question do not typically pose significant programmatic risk, and governments may opt to fund them directly instead of through PFS.¹⁷ For programs without an evaluation, PFS partners can still draw from existing evidence, such as sound logic models, to support estimates of potential effectiveness.

Conclusion

The current system for serving transitional youth suffers from costly, negative outcomes for individuals, for this population overall, and for the public. Breaking this status quo calls for reassessing the current funding, programmatic, and policy landscapes. Can we improve outcomes by increasing the private or philanthropic dollars allotted to serving transitional youth each year? Can building the evidence base of effective programs contribute to scaling them to benefit more youth? What policy changes could support effective efforts to further ease the transition to adulthood? These questions represent the several streams of work that might ultimately contribute to sustained improvement in the lived experiences of transitional youth.

PFS is no panacea, but it offers a vehicle for government to test new solutions while ensuring the public pays only for successful outcomes and effective programs. It introduces and embeds principles of sound policymaking into multistakeholder efforts to address this challenge. Places across the country, such as Marion County, Oregon, and Tulsa, Oklahoma, are beginning to explore PFS as a means to address specific needs of the transitional youth in their communities. Even projects that transitioned away from PFS, such as the Illinois Dually-Involved Youth project, can still inform the implementation of evidence-based interventions that target transitional youth. Our recommendations are intended to inform PFS projects that can improve the quality and reproducibility of programs that serve transitional youth through an increased emphasis on outcomes and evaluation.

Whether or not PFS is the financing vehicle chosen, going through the PFS process can help partners adopt an outcomes mindset, which can ultimately lead to more cost-effective social programming and better outcomes for youth. PFS can push jurisdictions to be more deliberate about how they measure and reward effective service providers. On the front end, a PFS mindset emphasizes the importance of service providers' implementation histories and receptiveness to evaluation. When structuring contracts, jurisdictions can adopt performance- or outcomes-based contracting approaches that create metrics for measuring success and reward providers with, for example, contract renewals or bonus payments.

CoP conversations touched on how the challenges that transitional youth face are compounded by fragmented data systems, limited evidence, and insufficient funding, among other factors. Many of these are simply the realities of finite resources, but others are symptoms of a complicated system that is poorly structured to achieve optimal outcomes for the youth it serves. Ultimately, PFS is less about the specifics of the financing mechanism and more about the good governance principles it espouses. A single PFS project cannot fix nationwide systemic problems. But it can induce incremental change on a smaller scale and push government officials, service providers, and community members to reexamine where their dollars go and the outcomes they produce, with the aim of doing better for our youth problems. But it can induce incremental change on a smaller scale and push government officials, service providers, and community members to reexamine where their dollars go and the outcomes they produce, with the aim of doing better for our youth.

Notes

- ¹ This section is adapted from Hawkins et al. (2017).
- ² This is the working definition of "transitional youth" used for this brief. But different sources may define this population slightly differently.
- ³ "Understanding Foster, Juvenile Justice, and Crossover Youth," American Youth Policy Forum, accessed December 11, 2018, https://spark.adobe.com/page/TK0GmOayfk2E2/; and Ashley Nellis, "Juvenile Justice: Addressing the Collateral Consequences of Convictions for Young Offenders," *Champion* (magazine), July/August 2011, http://www.sentencingproject.org/wp-content/uploads/2016/01/Addressing-the-Collateral-Consequences-of-Convictions-for-Young-Offenders.pdf.
- ⁴ "Easy Access to the Census of Juveniles in Residential Placement (EZACJRP)," Office of Juvenile Justice and Delinquency Prevention, accessed December 12, 2018, https://www.ojjdp.gov/ojstatbb/ezacjrp/.
- ⁵ "Juvenile Incarceration," ChildTrends, accessed December 12, 2018, https://www.childtrends.org/indicators/juvenile-detention.
- ⁶ "Understanding Foster, Juvenile Justice, and Crossover Youth," American Youth Policy Forum, accessed December 11, 2018, https://spark.adobe.com/page/TK0GmOayfk2E2/.
- ⁷ "Juvenile Justice Fact Sheet Series: Crossover Youth," Ohio Juvenile Justice Association, March 2015, http://jjohio.org/wp-content/uploads/2015/09/Crossover-Youth.pdf.
- ⁸ "Transition-Age Youth in Foster Care in the US," Child Trends, accessed December 12, 2018, https://www.childtrends.org/wp-content/uploads/2017/09/Transition-Age-Youth_United-States.pdf.
- The Family First Prevention Services Act of 2018 (FFPSA) amended eligibility criteria for CFCIP services. The FFPSA enables states and tribes that have extended foster care to age 21 to provide CFCIP services to youth up to age 23.
- ¹⁰ Foundations also play a major role in funding programs and services. See Kiersten Marek, "Which Funders Are Helping Foster Youth Age Out Successfully?" *Chronicle of Social Change*, January 7, 2016, https://chronicleofsocialchange.org/child-welfare-2/funders-helping-foster-youth-age-successfully/15046.
- ¹¹ The Social Impact Partnerships to Pay for Results Act, S.963, 115th Cong. (2017), https://www.congress.gov/bill/115th-congress/senate-bill/963/text.
- ¹² Mayookha Mitra-Majumdar, "Budget Bill Pushes Through Groundbreaking Evidence-Based Provisions," *PFS Perspectives* (blog), February 13, 2018, https://pfs.urban.org/pay-success/pfs-perspectives/budget-bill-pushes-through-groundbreaking-evidence-based-provisions.
- ¹³ "The Opportunity Passport: A Pathway to Economic Security for Youth in Foster Care," Jim Casey Youth Opportunity Initiative, accessed December 11, 2018, http://www.aecf.org/m/resourcedoc/aecf-opportunitypassportexplainer-2017.pdf.
- ¹⁴ "What Works in Reentry Clearinghouse," Council of State Governments Justice Center, accessed December 11, 2018, https://whatworks.csgjusticecenter.org/focus-area/youth-reentry.
- ¹⁵ For an overview of evaluation design options, please consult Walsh et al. (2016).
- ¹⁶ Adapted from Hawkins et al. (2017).
- ¹⁷ Even programs with rigorous evaluations of their effectiveness, though, may still benefit from additional evaluation if they are implemented in a new context, with modifications, or for other reasons that carry programmatic risk.

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