

EVIDENCE- BASED INTERVENTIONS FOR CRIMINAL JUSTICE REFORM STUDY REQUIRED BY SALT LAKE COUNTY, UTAH - CODE OF ORDINANCES, CHAPTER 3.71, "COUNTY PARTICIPATION IN AND APPROPRIATION TO A PRIVATE ENTERPRISE PROJECT"

This report updates two earlier Salt Lake County Council studies dated March 2016, and December 2016. Copies of these studies, and the associated resolutions adopted by the Council, are available on-line at <http://slco.org/council/pay-for-success-reports/>.

Salt Lake County has prepared this study pursuant to Utah Code Annotated § 17-50-303 and Salt Lake County Code of Ordinances § 3.71. These provisions require that the County prepare and make available to the public a study to determine: (a) the value receive by the County in return for funds appropriated in aid of a private enterprise project; (b) the purpose for the appropriation; and (c) whether the appropriation is necessary and appropriate to accomplish the County's policy objectives.

Copies of this study are available for public review and comment in the Salt Lake County offices of the Council, the Mayor, or the Clerk; an electronic version is available at www.slco.org/council/pay-for-success-reports. In order that the Salt Lake County Council may receive public comment on the information contained herein, **a public hearing will occur on December 5, 2017, at 4:00 pm.**

OVERVIEW

Salt Lake County has two Pay for Success (PFS) projects underway. The first centers on reducing jail and prison recidivism, and the second addresses persistent homelessness. The County selected First Step House to manage the criminal justice reduce-recidivism program. Using the evidence-based **REACH** program, this PFS initiative will serve approximately 225 formerly incarcerated adult males. The Road Home won the contract to address persistent homelessness. Using the Houses Not Jail (**HNJ**) program, the Road Home will help address homelessness by providing Rapid Rehousing services to approximately 315 individuals. (Please see pages five and seven for more details regarding these programs.)

Both PFS initiatives will complete the pilot phase of their programs at the end of this year. Starting in January 2018, PFS investors will finance the ongoing operational costs for each program. The County will reimburse the investors but only if the milestones and success outcomes are realized.

In the 2016 budget, the County Council appropriated \$3 million and indicated its commitment to appropriate \$11.5 million over the course of four years to finance PFS results. A second PFS

appropriation occurred this year for \$3 million. The Council is now considering the Mayor’s recommendation to appropriate an additional \$5.5 million before the end of 2017, which would complete the county’s PFS funding commitment of \$11.5 million.

All PFS appropriations are in an off-budget escrow account that is controlled and managed by the county. The investment earnings from this account will provide an income stream for the next six-plus years. The policy makers may allow those investment earnings to accumulate until the end of the PFS initiatives, or periodically elect to draw down the earnings. Assuming short-term interest rates will continue to increase, projected investments earnings in 2018 will total \$250-to-\$290 thousand.

Table A indicates the timing and amount of County payments that will occur over the next seven years. The success payments will only occur if the milestones specified in the respective contracts are satisfied. If the recidivism program is successful in meeting the milestones, then the participants will realize—as compared to the control group—over 220 fewer arrests and spend nearly 27 thousand fewer days in jail or prison. At that “impact level” of success, the County will reimburse up to \$5.95 million of expenses. Similarly, the homeless initiative should generate 1,500 more stable housing months for its participants—relative to its control group. At that level of success, the County’s **HNJ** reimbursements will total \$5.55 million.

TABLE A. Projected PFS Payments: 2018-2024 (\$ in Thousands) County’s Total Payments Capped At \$11.5 Million.			
Year	REACH	HNJ	SUM
2018	\$0	\$0	\$0
2019	\$292.7	\$12.9	\$305.6
2020	\$207.3	\$104.9	\$312.2
2021	\$0	\$154.5	\$154.5
2022	\$4,016.4	\$2,787.0	\$6,803.4
2023	\$48.2	\$73.1	\$121.3
Wind Up	\$1,385.4	\$2,417.6	\$3,803.0
TOTAL	\$5,950.0	\$5,550.0	\$11,500.0

A. THE VALUE THE COUNTY WILL RECEIVE IN RETURN FOR FUNDS APPROPRIATED IN AID OF A PRIVATE ENTERPRISE PROJECT.

Salt Lake County Ordinance § 3.71 requires that the County determine the value it will receive in return for funds appropriated in aid of a private enterprise project. The ordinance also identifies criteria by which the County will determine the value received, including tangible and intangible benefits; expenditures saved; expenses forgone; and other "comforts or conveniences to county residents."

Tangible benefits to the County include job creation, the services these jobs provide, and the economic multiplier effect generated. Successful interventions will have a strong employment outcome for the program participants. The goals for individuals who successfully complete the PFS programs include the following: job creation, an increase in taxes paid, and an increase in the local demand for goods and services. To the extent that these programs are successful, there will be less demand for jail beds, and there will be a decrease in ancillary costs associated with arrests, bookings, detoxification, and emergency room services. To the extent that PFS programs are successful, they will decrease the societal costs of criminal activity.

The intangible benefits to the County are public health and safety externalities that are difficult to quantify. The programs seek to overcome the challenges of meeting the needs of high-risk individuals repeatedly arrested for behaviors related to their mental health, substance abuse, and homelessness. The programs also seek to reduce the financial and social impacts on the families of incarcerated or homeless individuals. Other intangible benefits include improvements in safety, and enhanced peace and order for the citizens and businesses in areas with high criminal activity as well as those negatively impacted by the current homelessness crisis.

A third benefit is the knowledge that Salt Lake County and the nation will gain from the evaluations of the PFS programs. Both programs include a Randomized Control Trial, the highest level of independent evaluation available. This is a rare occurrence in the social sector as this level of rigor is more commonly associated with scientific and medical studies. The model includes deep capacity building for two of the region's critical service providers: the Road Home and First Step House. Successful PFS programs will allow the County and others across the United States to initiate validated programs with evidenced-based effectiveness and reduce future funding levels for programs that do not produce validated results.

B. THE PURPOSE FOR THE APPROPRIATION

The PFS funding model uses the capital of private enterprises, including banks, private

foundations and Community Development Financial Institutions (CDFIs), to provide a nonprofit service vendor with upfront capital to tackle critical social problems. The government sets clear and measurable outcomes for the providers. A rigorous, independent evaluation determines if the outcomes are satisfied. This is what makes PFS unique. To the extent agreed upon outcomes are met, the County will reimburse the private foundations and banks. If the metrics are not satisfied, the County does not re-pay the lenders.

By tapping private funding to cover the costs of new, innovative-but-as-yet-unproven social programs, PFS shifts performance risk towards private funders. To the extent that the projects are successful, the County will reimburse the private investors for their project expenses plus interest and sometimes a modest profit. If the private expenditures do not produce the prescribed PFS results, the private capital is at risk. The County only reimburses the investors to the extent that the programs achieve the desired results, as determined by the randomized control trial and the contract requirements. Any remaining escrowed funds will return to the County's General Fund. The County Council and the Mayor will determine the highest-and-best use of returned funds through the normal budget processes.

Table B sets forth the estimated budget for the two private enterprise projects.

TABLE B. PFS Budget as of October 2016		
Criminal Justice "REACH" program at First Step House		
Services	\$ 5,180,190	Services provided to 225 individuals, includes evaluation
Project Costs	\$ 647,500	Includes program management, legal, and other PFS overhead
Interest Costs	\$ 443,897	2% interest rate for Impact Lenders and 5% interest rate for Senior Lenders over 5 year period. Amount may change subject to final mix of senior/junior lenders.
Subtotal	\$ 6,271,587	
Homelessness "HNJ" program at The Road Home		
Services	\$ 4,664,037	Services provided to 315 individuals, includes evaluation
Project Costs	\$ 647,500	Includes program management, legal, and other PFS overhead
Interest Costs	\$ 371,078	2% interest rate for Impact Lenders and 5% interest rate for Senior Lenders over 5 year period. Amount may change subject to final mix of senior/junior lenders.
Subtotal	\$ 5,682,615	

Total Combined Costs		
Services	\$ 9,844,227	
Project Costs	\$ 1,295,000	
Interest Costs	\$ 814,975	
Total	\$ 11,954,202	County Success Payments capped at \$11.5 million. Non-recoverable private philanthropy will account for some of the difference.

C. THE APPROPRIATION IS NECESSARY AND APPROPRIATE TO ACCOMPLISH SALT LAKE COUNTY’S POLICY OBJECTIVES.

In the two earlier PFS studies, the County identified and described two core goals: 1) serve high-cost individuals more effectively and with greater cost efficiency and 2) address system gaps. The County’s desired outcomes are reiterated below.

1. Criminal Justice: The REACH Program

Population Served and Program

The **REACH** program, an acronym that stands for Recovery, Engagement, Assessment, Career and Housing, will serve approximately 225 formerly incarcerated adult males who are at high risk of reengaging in criminal behavior. Participation in the program will be restricted to formerly incarcerated individuals who have finished serving sentenced jail time, have moderate-to-severe substance use disorders, and are supervised by Adult Probation and Parole (AP&P). **REACH** treats those who have co-occurring mental health disorders; however, **REACH** excludes individuals with extreme mental health conditions.

REACH applies evidence-based principles to reduce recidivism and includes services and treatments to address criminogenic needs and non-criminogenic needs. Non-criminogenic needs include ongoing recovery support and, as appropriate, housing assistance. Criminogenic needs include static and dynamic risk factors. **REACH** targets dynamic risk factors--such as family problems, employment, substance abuse, and self-sufficiency.

REACH Program Metrics and Success Outcomes

The primary success metrics for the REACH program are reductions in both the number of arrests and days incarcerated. Historical county data indicate that, over four years, 74% of this male, high-risk, high-need population will be re-arrested. On average, they will be arrested 2.8 times and spend 336 days incarcerated. **REACH** will also measure participant engagement in treatment, as determined by the number of hours of services received within a specified timeframe, and each participant’s employment gains. The following table provides details on

REACH's four payable success metrics.

Metric	Definition/Description	Measurement Details	Why?	Target Success Rates + Details	Success Payment
Arrests	Reduction in statewide arrests.	Comparative, measured using jail and prison data; evaluated 4 years post-randomization.	The target population has a high risk of reoffending. Project analysis indicates this population has a high risk of multiple re-offenses.	The REACH program expects to reduce 4-year arrests for enrolled participants by 35%, from 2.8 to 1.8 arrests. This impact translates to a nearly 30% reduction for everyone referred to the program.	\$250/arrest avoided
Days Incarcerated	Reduction in days incarcerated in Salt Lake County jail and Utah State prisons	Comparative, measured using jail and prison data; evaluated 4 years post-randomization.	Each jail day costs about \$95 – without regard to police and court costs associated with arrest and adjudication.	The REACH program expects to reduce 4-year incarcerated days for enrolled participants by 35%, from 336 days to 218 days. This impact translates to a nearly 30% reduction for everyone referred to the program.	\$200/day avoided
Employment Quarters	Improvement in number of employment quarters, defined as an individual having earned at least \$850	Comparative, measured using Department of Workforce Services wage data; evaluated 2 years beginning quarter post-randomization.	Employment is a criminogenic need and a priority of Salt Lake County.	The REACH program estimates that it can improve employment quarters on enrolled participants by 25%.	\$450/quarter employed
Treatment Engagement	Number of individuals engaging in 200 hours of treatment within 6 months of enrollment	Absolute metric measured using REACH data; evaluated 6 months post enrollment.	Research suggests that 200 hours of treatment provides substantial reductions in recidivism for high-risk offenders.	The REACH program estimates that about two-thirds of individuals enrolled will engage in 200 hours of treatment within 6 months.	\$5,800 per person (total payments capped at \$500,000)

2. Homelessness: Homes Not Jail Program (HNJ)

Population Served and Program

The goal of the Homes not Jail (**HNJ**) program is to provide services to improve the housing stability, criminal justice outcomes, and behavioral health outcomes of the persistently homeless. The persistently homeless are those who have spent between 90 and 364 days over the previous year in emergency shelters, on the streets, or otherwise tracked as being homeless.

Analysis of this population demonstrates that without new and enhanced program support and intervention the persistently homeless are at clear risk of becoming chronically homeless. These individuals are highly unlikely to receive public services for several reasons:

- Because they do not meet the strict federal definition of chronically homeless, they are unlikely to receive any of the limited permanent supportive housing units available in Salt Lake County.
- Due to limited funding, existing programs only serve 19% of the persistently homeless.
- The waitlist for County and City Housing Authority programs stretches six years.

Currently, the chronically homeless population consumes all of the County's 1,929 permanent supportive housing beds. The Community Triage Group in Salt Lake County is responsible for identifying open permanent supportive housing beds and then assigning them to the most vulnerable individuals experiencing chronic homelessness. If permanent supportive housing were expanded and used for the persistently homeless population, the cost would be prohibitive. Given that there are more than 1,000 persistently homeless individuals in the County, the increase in funding to address the problem would exceed 50 percent. While the State and the County are working to build more housing units, locations are limited and these units require large investments of time, resources and infrastructure. Additionally, these persistently homeless individuals may not need permanent housing. Because they are not chronically homeless, it is less likely that this population has disabling conditions such as serious physical and behavioral health issues.

As a result, the County and its partners will use a Rapid Rehousing (RRH) approach to serve persistently homeless individuals through the HNJ program. Several studies have indicated that individuals in RRH programs are less likely to return to homelessness and that it is more cost-effective than remaining in emergency shelters. As a result, several federal agencies have increased their support and available resources for RRH as a promising and innovative program model to improve housing stability. The **HNJ** project will more rigorously evaluate

the effectiveness of RRH in improving housing and criminal justice outcomes as a lower-cost alternative for the persistently homeless population.

RRH reconnects individuals with housing as quickly as possible, and provides limited rent and move-in assistance as well as case management in order to achieve housing stability. The duration of financial assistance for housing usually ranges from four-to-six months in order to stabilize an individual. The **HNJ** program has three phases that incorporate core components of the RRH model: 1) engagement, (2) housing search and placement in appropriate, stable accommodations for long-term self-sufficiency, and (3) case management and rental and move-in assistance. During each of the three phases **HNJ** staff provides: (1) Comprehensive housing assistance that includes locating housing; (2) Rental and move-in assistance; and (3) Wrap-around services that focus on creating a case management plan to address an individual's health, income and employment needs.

Immediately after an individual enters-- through a randomized selection process -- into the **HNJ** program, a case manager will begin engagement with the individual, helping to guide him or her through the housing-access phase and provide information and education about the program. During this period, individuals may remain in shelter beds specifically designated for **HNJ** participants. The primary focus of this phase, which lasts up to 14 days, is to introduce the individual to the program and to **HNJ** staff and to conduct behavioral health assessments.

Once engaged, the next step is to help the individual find housing. During this phase, the individual will have close and persistent contact with **HNJ** staff. All staff members are trained in Critical Time Intervention as well as Trauma Informed Case-and-Motivational Interviewing. The training and persistent contact is designed to identify the participants' needs during the transition, and to ensure the individual is motivated and ready to transition to long-term housing. The services in this phase, which are anticipated to take an average of one month, include: Housing Assistance, Wrap-around Case Management Services, Development of a Case Management Plan, and Interim Group Services

The Road Home anticipates the average duration of rental assistance will be 4.7 months. Throughout this time, participants will remain engaged with the **HNJ** program through case management and rental assistance.

The majority of participants will graduate out of rental subsidy and case management services simultaneously, but some individuals may maintain case management after rental assistance ends. This will help them resolve other issues related to housing stability.

Several program partners are a part of the program:

- Volunteers of America (VOA) will hire a Behavioral Health Clinician for the project. VOA provides programs including adult detoxification, mental health counseling, and

housing services.

- 4th Street Clinic, the Cornerstone Clinic, Valley Behavioral Health and other Salt Lake County behavioral health providers will provide behavioral health services for program participants who need more-intensive interventions.
- The Department of Workforce Services and Advantage Services will provide supportive employment services and job training classes. Advantage Services is a non-profit employment agency that hires people with disabilities who are experiencing homelessness. These individuals, once trained, fulfill contract services. Advantage Services also provides job training classes and supportive employment services.

HNJ Program Metrics and Success Outcomes

A central consideration in measuring the effectiveness of RRH is data availability: if an individual graduates from a RRH program to unsubsidized housing, it is a challenge to track outcomes. The **HNJ** metrics will exist well beyond graduation from the program. Participants’ behavioral health enrollment measurements help determine whether the innovative methods to reduce barriers and to provide access to assessment and treatment in **HNJ** are effective. The following table identifies the four payments metrics that apply to **HNJ**.

Metric	Definition/Description	Measurement Details	Why?	Target Success Rates + Details	Success Payment
Months without any Shelter or Jail	Number of months in which an individual does not reside in any emergency shelter in the State or in the Salt Lake County jail.	Comparative metric measured using State HMIS and Salt Lake County jail data; evaluated 2 years.	A proxy for whether someone has successfully stabilized and remained out of jail in the longer term because of the PFS program. A single day of shelter or jail therefore disqualifies a given month of success.	The HNJ program estimates it can improve months without shelter/jail for placed participants by 30%, from 16 months to 21 months.	\$3,500/month
Graduations to Permanent Housing Location	Number of participants who graduate to a permanent housing location (as defined by HUD).	Absolute metric measured using locations reported and verified by case managers using Housing Stabilization	The graduation outcome complements the months without shelter/jail outcome to track participants’ housing situation at graduation.	The HNJ program estimates that 80% of placed participants will graduate to a permanent housing	\$2,300/ graduation (capped at \$500,000 in total payments)

		Guide; evaluated at program completion.		location.	
Mental Health Service Enrollments	Number of enrollments into mental health services.	Comparative metric measured using Salt Lake County Behavioral Health Services UWITs database; each enrollee will be observed for two years.	Many individuals experiencing persistent homelessness do not stay engaged long enough to make it to the end of the waiting list for behavioral health services. This outcome will monitor if housing and case management services help participants stay engaged.	The HNJ program estimates it can improve mental health enrollments for placed participants by 100%, from 12% to 24%.	\$5,000/enrollment
Substance Abuse Disorder Service Enrollments	Number of enrollments into substance abuse services (excluding detox) after randomization.	Comparative metric measured using Salt Lake County Behavioral Health Services UWITs database; each enrollee will be observed for two years.	Many individuals experiencing persistent homelessness do not stay engaged long enough to make it to the end of the waiting list for behavioral health services. This outcome will monitor if housing and case management services help participants stay engaged.	The HNJ program estimates it can improve mental health enrollments for placed participants by 100%, from 10% to 20%.	\$5,000/enrollment

CONCLUSION

The County Council has committed to appropriate \$11.5 million over the four years ending December 2019 for the PFS programs. The Mayor recommends satisfying the \$11.5 million commitment by appropriating an additional \$5.5 million this year. The Council has already appropriated \$6 million in support of its commitment to continue to make a positive and measurable impact in the criminal justice reform areas of recidivism and homelessness. By tapping private funds to cover the costs of new, innovative but-as-yet unproven social programs, PFS shifts performance risk towards private funders. If the projects are successful, as measured against the randomized control groups, the County will reimburse the private investors for their project expenses plus interest and sometimes a modest profit. The PFS contract caps Salt Lake County expenditures for **REACH** and **HNJ** at \$5.95 million and \$5.55 million, respectively. Success payments will only occur after an independent evaluation -- using a Randomized Control Trial and rigorous, databased, real-time analysis -- determines the extent to which the outcomes specified in the PFS contracts have been satisfied. Given a successful scenario and pursuant to this study, the Council finds that Salt Lake County will receive value for its appropriations in the form of tangible and intangible benefits.

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