Cohen: Juvenile justice system primed for private sector partnership

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By Derek Cohen - Special to the American-Statesman

In the mid-1990s, "boot camps" were the en vogue treatment program for correcting wayward youth. It was thought that placing delinquents in a military-style environment would inculcate discipline and leadership as it does in young soldiers. However, two decades of research has led to one general conclusion: Boot camps are at best ineffective, and at worst harmful.

The cost to the taxpayer for this failed intervention? Around $38,000 per youth, per year.

Boot camps provide just one example where treatment programs based on folk wisdom fail both the taxpayer and the delinquent they are trying to reform. The public is left with a lighter pocketbook and less public safety.

However, legislators are currently considering a method of funding that would shield the public from the risk of correctional programs that are poorly conceived, poorly implemented, or based wholly on hokum.

These are known as outcome-based financing models. The Texas House of Representatives Corrections Committee is currently conducting an interim study on these models, with legislation authorizing this approach expected to be filed this coming session.

Rather than saddling the taxpayer with the speculative, upfront cost of implementing new rehabilitation programs, outcome-based models are funded by private capital and oftentimes administered by a private nonprofit.

Outcome-based models are commonly an alliance of three entities: the government, private investment institutions, and the investors. The government establishes the terms of the contract, such as the performance metrics that must be met, the specifics of how each metric will be evaluated, and the terms of the reimbursement should the program meet performance standards.

With these parameters established, an investment firm offers the opportunity to interested parties. This firm then invests the capital with a credible entity, likely a nonprofit already active in the sector. As stewards of the invested capital, the bank will scrutinize the implementation of the program, ensuring that process-based and short-term outcome measures are met. The final evaluation – that evaluates the success (or failure) of the program – is then conducted by an unaffiliated third party.

If these standards are met or exceeded, then the investors' capital is returned in full, plus the agreed-upon overage. This reimbursement comes directly from the money that would have been spent on processing and punishing the offender had they recidivated. If the program fails to deliver, the investors lose most or all of their investment.

This potential for loss motivates the investment firm to focus on proven rehabilitative programs; those most likely to realize a return. Further, these firms are more likely to monitor the implementation of these programs, ensuring that the program in place best resembles the model that it is based on.

Outcome-based funding models present a win-win for Texas taxpayers. If a program fails, the taxpayer no longer has to bear the financial costs.

These models can bring about new, groundbreaking programs. It is important, however, to ensure that the risk of failure belongs solely to the private investors. Otherwise, cronies may seek to capitalize off unsuccessful programs, leaving the public in no better condition than before.

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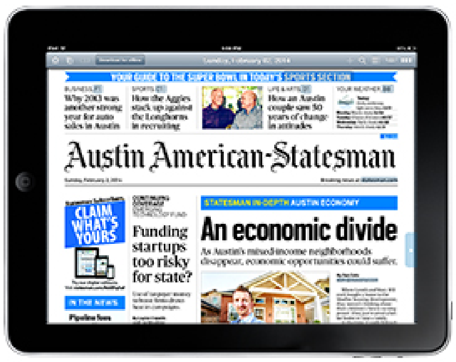

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