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Restructuring the Michigan Child Care Fund: Reducing Costs and Improving Outcomes

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Abstract

Michigan's policy to distribute the Child Care Fund (CCF) to counties at a flat rate of 50% as stated in the Michigan Comprehensive Laws 400.117a provides no structured incentive to the counties to use evidence based practices that are cost-effective for locally based delinquent youth intervention programs. This policy analysis answers the following questions: (1) would retaining delinquent youth in the community produce a cost benefit and/or better outcomes than confinement and (2) is public safety at risk if delinquent youth are retained in the community? Utilizing a policy analysis framework our evidence found that community based services provide better outcomes than confinement for delinquent youth and that retaining delinquent youth in the community does not represent an increased risk to public safety. Policy change is recommended to incentivize the use of best practices which may produce significant economic and social benefits to the state and delinquent youth who should receive the best possible care. This can be accomplished through a shift in state reimbursement rates from the current 50% rate to an increased rate for evidence based strategies.

Introduction

Michigan's policy to distribute the Child Care Fund (CCF) to counties at a flat rate of 50% as stated in the Michigan Comprehensive Laws 400.117a provides no structured incentive to the counties to use evidence based practices that are cost-effective for locally based delinquent youth intervention programs. Michigan Governor Rick Snyder's 2014 proposed budget based on current spending trends, provided \$177.5 million for the county Child Care Fund, a reduction of \$11.1 million or 6% from current year expenditures of \$188.7 million. The Child Care Fund provides for the care and treatment of delinquent or maltreated children who are court wards and not eligible for federal payments through Title IV-E. The primary sources of funding for the Child Care Fund are state General Funds and federal Temporary Assistance for Needy Families (TANF). Based on the May 15th consensus agreement, the Conference Committee provided \$171 million for the Child Care Fund. The Senate also added \$1.5 million for counties to expand their in-home, community-based juvenile justice programs.

Counties in Michigan face financial challenges related to the high cost of services for delinquent youth. For example, in Muskegon County, the Family Court Administration manages the Child Care Fund budget. In 2006, Muskegon County spent an average of \$50.00 per day for community based in-home services. This compares to an average per day cost of \$225.00 per day for confined youth (Wishka, 2006). This positive example may be replicable state wide and could be encouraged through policy changes.

At a time of crisis it is essential for Michigan to invest in practices that have evidence of effectiveness with juvenile delinquents. Other states, including Pennsylvania, Ohio, California, and New York, have already enacted incentivized financial structures and have experienced a

cost benefit resulting from the encouraged application of evidence based practice with juvenile delinquents (Drake, 2007).

Objective

This policy analysis utilizes a systematic economic framework to examine the Michigan's existing CCF reimbursement policy and answers the following questions: (1) would retaining delinquent youth in the community produce a cost benefit and/or better outcomes than confinement and (2) is public safety at risk if delinquent youth are retained in the community?

Although there clearly is no explicit policy statement favoring confinement of youth, the current CCF funding structure reimburses counties for 50% of the cost of child care regardless of expenditure type or effectiveness. Counties that place youth in residential confinement are reimbursed at the same rate as counties that retain youth in their communities with the support of evidence based services. When faced with the choice of intervention for a delinquent youth there is no formally structured incentive in the CCF to evaluate effectiveness of alternatives and there is no structured incentive to avoid high cost confinements. In fact, the political pressure to remove and confine youth who represent potential threats to public safety provides incentives for court systems to confine as many youth as possible to achieve a short term reduction in criminal conduct and offer a politically popular "tough on crime" image to the public.

A careful consideration of the Michigan's CCF Policy must also consider the ethical issues related to justice. The defining point of ethics relevant to this discussion involves two competing theories, retributive justice and restorative justice. Retributive justice stems from the Western Civilization ethical foundation rooted in the concept that justice occurs when the punishment fits the crime (Leighton, 2000). Retributive justice is reactionary; punishment is the community's response to a past event of injustice or wrongdoing. It acts to reinforce rules that

have been broken and balance the scales of justice by the criminal paying back the debt to society (Brian, 1989).

Restorative justice focuses on the communal aspects of relationships in society. Crime, in the restorative justice view, is an action that violates relationships. The goal is to reintegrate the offender into society as opposed to exiling the offender from the community to an institution (Umbreit & Armour, 2009); this allows the opportunity for him or her to repair the damage done. Restorative justice is forward looking and seeking the future re-engagement of both victim and offender into a cohesive community. Instead of emphasizing punishment and labeling an offender as "bad" and an outcast, the approach gives priority to restoring the community and incorporating the offender back into it (Umbreit & Armour, 2009).

Based on a previous review of scientific evidence (Umbreit & Armour, 2009) , the practice of restorative justice is preferred; the greatest good for the community can be achieved when the best outcome is attained with the least cost. The traditional approach of retributive justice isolates youth from their community without providing evidence of benefit to the youth. The research cited in the aforementioned analysis (Umbreit & Armour, 2009) supports that, due to high recidivism rates and high costs, retributive justice fails to provide the greatest good for youth or the community.

It is important to note that an unintended consequence of the incentivized community based services could be poor decision making on the part of some counties to retain high risk youth who legitimately should be confined. While this concern has not been manifested in other states that have pursued such policies (Juvenile Justice Evaluation Center, 2002; Justice Policy Institute 2009), counties under severe financial pressures could feel pressured to make placement decisions that are questionable.

Policy Analysis Methodology

The methodology for this policy analysis will employ a policy analysis framework from Thomas Collins (Collins, 2005). This framework was chosen due to the compatibility with cost effectiveness analysis. Collins framework includes definition of contextual factors, problem statement, investigation of evidence, consideration of options, application of evaluative criteria and decision recommendations (Collins, 2005). In order to evaluate the existing Michigan Child Care Fund policy as it stands versus the possibility of an alternative policy that would incentivize local community based services the following two critical questions must be addressed: (1) *would retaining delinquent youth in the community produce a cost benefit and/or better outcomes than confinement and (2) is public safety at risk if delinquent youth are retained in the community?* A literature review informed by these questions was conducted. The Scopus Database was utilized for the review. The search was conducted from publications within the years 2000 to 2013. Search keywords included “juvenile delinquency,” and “cost effectiveness.” In addition to the literature review, the analysis was based on state/county level data directly related to each of these questions.

Results

Question One: Does retaining delinquent youth in the community produce a cost benefit and/or better outcomes than confinement?

An important method for comparing program outcomes is cost-effectiveness analysis; these evaluations make it possible to compare programs that produce similar results, allowing policymakers to achieve the largest possible crime-prevention effect for a given level of funding (Greenwood, 2008). The Washington State Institute for Public Policy (WSIPP) has done a cost-benefit analysis of juvenile justice programs. It showed that programs using evidence based

practices like those endorsed by the Office of Juvenile Justice and Delinquency Prevention (OJJDP) and Blueprints (www.colorado.edu/cspv/blueprints/) are the best ways to help delinquent youth and also save money (Aos, 2006). Of the five most cost effective services identified by the WSIPP study, all are community based. The most cost effective service, Multidimensional Treatment Foster Care reduced crime recidivism rates by 22% and achieved a per participant cost saving relative to confinement alternatives of \$77,798 (Aos, 2006, p. 9). In contrast, confinement of youth has failed to show positive outcomes and in many cases may actually be detrimental to the social and psychological development of juveniles. This may be due to situations where large numbers of youth with histories of violence or psycho-social problems are crowded into a confined space.

A recently published study for the Campbell Collaboration (Petrosino, Turpin-Petrosino, & Guckenburg, 2010) evaluated the question “does system processing reduce delinquency?” In the evaluation of 29 studies, juveniles were assigned to either the juvenile justice system or non-system alternative to include a total 7,304 juveniles over a 35-year period. The results indicated that juvenile system processing does not appear to have a crime control effect. The authors reported that almost all of the results are negative in direction, as measured by prevalence, incidence, severity, and self-report outcomes (Petrosino et al., 2010). Moreover, there is increased cost linked with system processing and a significant lack of evidence supporting a public safety benefit.

Research also supports that involvement in the traditional juvenile system may result in increased risk for adult incarceration. Gatti et. al. (2009) used data from a community sample of 779 males under the age of 17 and found that any intervention by the juvenile court has an increased likelihood of involvement with the judicial system in adulthood. The results also

suggested that the various measures recommended by the juvenile court contribute unequally to the effect. Those delinquent youth who experienced placement had the most negative impact.

The rate at which youth re-offend, or recidivism, is an important measure of the effectiveness of a delinquency intervention. Research on recidivism indicates that youth who are confined re-offend at an accelerated rate when compared to delinquent youth who were not confined. In a study done by the Justice Policy Institute (Justice Policy Institute, 2009), approximately 60 percent of youth who were in residential placement facilities were rearrested within two years of their release.

Question Two: Is public safety at risk if delinquent youth are retained in the community?

Question two is a commonly heard objection that is not substantiated by research. The Justice Policy Institute finds "no correlation between states that increase the number of youth in juvenile facilities and crime." (Justice Policy Institute, 2009, p. 10). Six of ten states that increased the number of juveniles in facilities from 1996 to 2006 actually saw an *increase* in violent offences reported to law enforcement (Sickmund et al., 2008). Given the evidence of these studies it does not appear that public safety is at risk by retaining delinquent youth in the community. Higher rates of confinement do not correlate with improved measures of short term public safety and may in fact contribute to greater likelihood of adult incarceration.

Conclusions/Recommendations

As a result of this analysis, a change in the existing policy is recommended. Incentivizing the use of best practices may produce significant economic and social benefits to the state and most importantly to the delinquent youth who should receive the best possible care.

This can be accomplished through a shift in state reimbursement rates from the current 50% rate to an increased rate for evidence based strategies. If local counties received a financially incentivized reimbursement for in home care or other local and evidence based options, the adoption of such practice would be strongly encouraged. Additionally, dollars would remain in the state and benefit other economically strapped programs. Anecdotal evidence such as the experience of Muskegon County (Wishka, 2006) and a review of literature such as the WSIPP (Aos, 2006) suggest that the cost of community based services is significantly less than the cost of confinement. The potential financial savings have benefits including allowing greater numbers of youth to receive services. More research is needed on populations in Michigan. Until that research is available, the findings from the literature suggest that there are expected advantages to both cost and outcomes for youth. These financial advantages could be the basis for identifying a rate of incentivization for evidence based practices. Finally, youth in the community with effective services may have additional value added benefits such as long term reduction in adult incarceration rates and increasing social capital.

A final recommendation is that a strategic framework be identified or developed that will support the effort to incentivize implementation of evidence based practices. Many counties, especially in rural areas of Michigan will not have the capacity or resources immediately available to take advantage of the benefits from the policy change. Provision of a strategic framework and support of the framework through training and consultation would allow for the capacity enhancements necessary to effectively engage in the use of evidence based practice. These supports would assist counties through the identification of locally relevant evidence based practice, development of new services, and practice using a strategic framework to support outcome evaluation and service effectiveness.

The evidence found in this analysis supports the following; less costly, community based services qualify as evidence based practices, community based services provide better outcomes than confinement for delinquent youth, retaining delinquent youth in the community does not represent an increased risk to public safety, and financial structures that incentivize evidence based practice have been successfully implemented in other states.

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