Performance Incentive Funding
Aligning Fiscal and Operational Responsibility to Produce More Safety at Less Cost

BACKGROUND

America’s tough-on-crime sentencing policies are often cited as the primary reason the United States has the highest incarceration rate in the world. Yet there is another contributing factor that is often overlooked: a structural flaw in the way most states fund their criminal justice systems that discourages local decision makers from supervising offenders in the community and makes it easier to send them to prison.

It is the state corrections agency that bears the cost of incarcerating people in prison. However, both the decision to send an offender to prison and the cost of keeping an offender in the community almost always rests with a different state agency or a local jurisdiction. This is true for either a new conviction or a revocation from probation or parole. In the eyes of local decision makers, and in cases involving low-level offenders, sending someone to prison is all too often the preferred option because it saves the actual expense of supervision and avoids the political cost should an offender commit a serious crime while in the community.

Because of ongoing state budget deficits and decades of prison population growth, state policymakers have recently begun to focus attention on this misalignment of fiscal and operational responsibility by devising solutions that make system actors more accountable and collaborative. Since 2003, eight states have enacted legislation creating performance incentive funding (PIF) programs that aim to align the interests of the state corrections agency and local decision makers.

PIF programs are premised on the idea that if the supervision agency or locality sends fewer low-level offenders to prison—thereby causing the state to incur fewer costs—some portion of the state savings should be shared with the agency or locality. With PIF, agencies or localities receive a financial reward for delivering fewer prison commitments through reduced recidivism and revocations that, in turn, must be reinvested into evidence-based programs in the community.

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The Vera Institute of Justice is an independent nonprofit organization that combines research, demonstration projects, and technical assistance to help leaders in government and civil society improve the systems people rely on for justice and safety.

Vera’s Center on Sentencing and Corrections works with government leaders to advance criminal justice policies that promote fairness, protect public safety, and ensure that resources are used efficiently. The center draws on the skills and expertise of its staff, as well as the practical knowledge of working criminal justice professionals who face similar justice challenges.

For more information about the Center on Sentencing and Corrections, please contact Peggy McGarry at (212) 376-3131 or pmcgarry@vera.org.

**HIGHLIGHTS**

In September 2011, the Vera Institute of Justice, the Pew Center on the States, and Metropolis Strategies brought together more than 50 practitioners from the states that have enacted or were considering PIF legislation. In addition to outlining how PIF programs can lead to better offender outcomes while reducing overall corrections costs, this report discusses seven key challenges and tasks, identified by summit participants, that a state must address when designing and implementing a PIF program:

1. choosing an administrative structure,
2. selecting a funding mechanism,
3. deciding whether to provide seed funding,
4. selecting outcome measures,
5. determining baseline measures,
6. estimating savings, and
7. engaging stakeholders.

The report suggests that including multiple measures to evaluate performance and determine eligibility for incentive funding, rather than focusing on just the single outcome of reduced prison commitments, will ensure that public safety is protected while positive outcomes are still achieved. This report also highlights the importance of incorporating evidence-based practices into the incentive funding structure and providing agencies and localities with the resources and support they need to pursue the program’s goals.

**CONCLUSION**

A successful PIF program can significantly curb prison population growth and costs while increasing public safety: in the first year of its PIF program, California experienced a 23-percent drop in prison commitments of felony probationers, and $88 million of the savings was distributed to county probation agencies. At a time when states across the country continue to grapple with high offender recidivism and revocation rates, tight state corrections budgets, and under-funded community corrections programs, PIF programs hold great promise as a method to ensure that community corrections agencies or local jurisdictions receive much needed funding, states trim prison costs, and the public enjoys safer communities.

Read the complete report at www.vera.org/performance-incentive-funding