



# How to Demonstrate the Financial Value of your Second Chance Act Program:

AN INTRODUCTION TO ECONOMIC EVALUATION

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**Poll! Who has done or used the results of an economic evaluation?**

# Another Poll! How would you like to use the results of your economic evaluation?

- A. To help your team budget accurately for sustainability, replication, and/or expansion
- B. To demonstrate the financial value of your SCA program to your partners, local decision-makers, potential external funders, and other stakeholders
- C. To refine your program approach to optimize its benefits relative to its costs

**What We Hope You  
Will Get Out of Today**



# Presentation Structure

- Questions to guide your economic evaluation
- Types of economic evaluation
- Cost analysis – Calculate program costs
- Cost-benefit analysis – Weigh the costs against the benefits
- Where next?



## The First Question to Answer

Perspective – Whose costs and whose benefits to include?



## The Second Question to Answer

Is there a counterfactual? If so, what is it?

## Cost Analysis

What does the program cost?

### Cost-effectiveness analysis

What is the trade-off between costs and outcomes?

### Cost-benefit analysis

To what degree do benefits outweigh costs?

## Types of Economic Evaluation

# Economic Evaluation:

What you need and what you get

## Cost Analysis

Expenditure by category  
(better than budget)

E.g. Labor is 88% of costs

## Cost-effectiveness analysis

Cost, outcome in a natural unit

E.g. Reducing recidivism by 1 percentage point costs \$80

## Cost-benefit analysis

Cost, all outcomes monetized

E.g. SCA program benefits outweigh costs by \$280 per participant

# Cost Analysis

Always used to estimate the value of resources

Sometimes used to combine the value of those resources with outcomes of interest



# Why Cost Analysis is Useful

- To inform accurate budgets



- To plan for expanding a program



- To plan for replicating a program



# Cost Analysis – The Basics



Cost the counterfactual as well as the program



2 approaches: top-down and bottom-up



Price and quantity ( P & Q)



# COST-BENEFIT ANALYSIS



Monetize the benefits

Then, combine cost analysis results  
with those monetized benefits

# Why Cost-Benefit Analysis is Useful

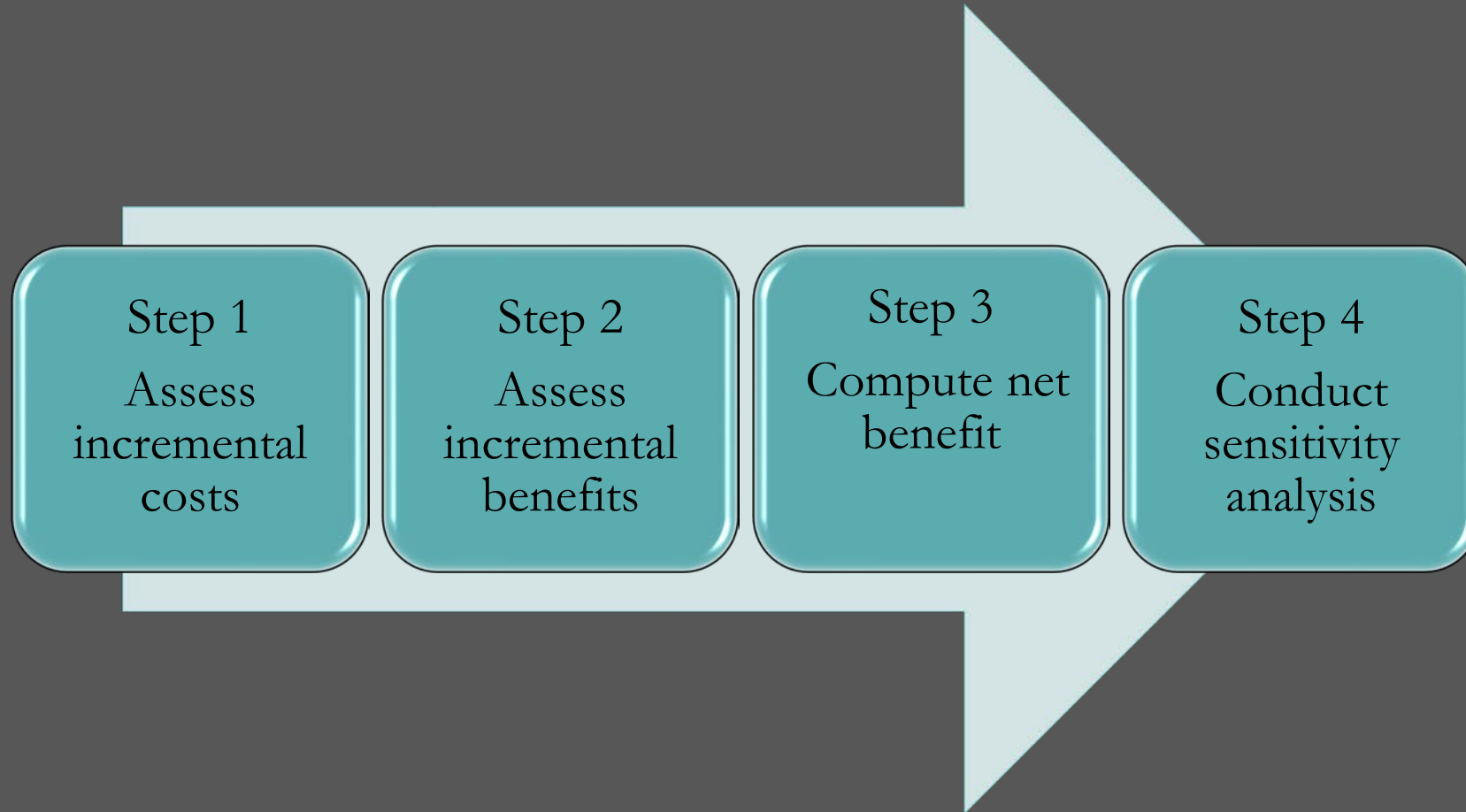
- Can be used to demonstrate cost savings to agencies and jurisdictions



- Tied to the outcome analysis



# 4 Steps of Cost-Benefit Analysis





## Where Next? Other Types of Analyses

- Cost-shifting and cost offset
- Cost-effectiveness analysis
- Cost-utility (QALYs)
- Return on Investment



# **Poll! Who Intends to Do an Economic Evaluation?**