

**Testimony of
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Chairman Reichert and Members of the Committee, my name is Steve Aos and I am the Director of the Washington State Institute for Public Policy. You asked me to provide testimony today describing the nature of the Institute and how it is being used in Washington state.

Mr. Chairman, state policymakers in our home state have been engaged in a quite focused effort to make government better in a number of significant policy areas. In broad brush, the effort is to deliver to taxpayers better public policy outcomes and a more efficient use of their tax dollars. In business-like terms, policymakers are trying to provide taxpayers in Washington state with an improved return on investment in certain public programs and policies.

Structure of the Institute. Before I discuss the substance of the approach, you asked that I say a few words about the structure of the Institute. The Washington State Institute for Public Policy was created by the 1983 Legislature. The purpose is to carry out non-partisan research on studies assigned to the Institute by the legislature. All of the assignments that we undertake come to us because the legislature passes a bill, signed by the Governor, directing a particular study with specific study language along with an appropriation to carry out the study. This is a key feature of the Institute. Institute staff does not carry out studies at the request of individual Members of the legislature, nor does the staff undertake studies on their own volition. If the legislature passes a study bill and the Governor signs it, then the Institute carries out the research.

The Institute is governed by a sixteen-member Board of Directors. Ten of the members are from the legislative branch; four Senators and four House Members and there are an equal number of Republicans and Democrats from each body. In addition, the two non-partisan committee staff directors of the Senate and House round out the 10 Board members from the legislative branch. The Governor appoints two cabinet level members to Institute's Board, and the remaining four

Institute Board Members are from the public universities and colleges in Washington state. The Board is co-chaired by a two rotating Senate and House Members, one a Democrat and one a Republican.

The Institute's Board hires the Director. Additionally, when an outside non-legislative entity requests the Institute to undertake a study, the Board takes a vote. For example, sometimes a Washington State executive agency asks the Institute's Board to undertake a study. Occasionally an outside entity such as the MacArthur Foundation, the Pew Charitable Trusts, or the Gates Foundation makes a request to the Board to fund a particular study. The Board meets three times a year to vote on these requests.

Almost all of what we do, however, originates in study requests from the legislature itself.

Two Types of Studies. The legislature assigns two types of studies to the Institute: (a) reviews of research from around the country where the goal is to identify potentially effective policies that could be put in place in Washington state, and (b) specific outcome evaluations of programs operating in Washington. By way of analogy, for the first type of study, we play the role of an "investment advisor" where we make "buy or sell" recommendations to the legislature based upon our examination of the options that have been tried and rigorously tested somewhere in the United States or beyond. Then, for the second type of study, we evaluate specific outcomes of Washington programs that policymakers in our state have put in place.

We Focus on High-Quality Research and Benefits and Costs (Return on Investment). In the last fifteen years, the legislature has increasingly directed studies to the Institute of the first type. That is, we receive legislative assignments asking Institute staff to identify "what works?" and "what does not work?" to achieve particular public policy outcomes. We have, for example, carried out these "what works?" assignments in the areas of crime policy, juvenile justice, K-12 education, early education and preventative intervention, child welfare, and mental health and substance abuse. We are now conducting work on health care. We have examined a few of the early childhood options that are in the area of today's hearing.

When we carry out these “investment advisor” studies for the legislature, we follow three specific research steps.

First, we identify “what works” and “what does not work” by analyzing all of the most credible research studies that have been done on a particular policy-relevant topic. For example, when the Washington legislature has asked us to identify “what works” to reduce crime, we examine all of most credible studies that have evaluated sentencing, policing, adult corrections, juvenile justice, and preventative policy and program options.

I emphasize the words “all” and “most credible.” When we conduct these reviews we do not cherry-pick studies. If one wants to find a study or two showing that something works or does not work, one can usually find at least some studies pointing to either result. We avoid this selective reading of the literature by including all of the studies on a topic. We then deliver to our legislature conclusions based on the weight of the evidence from all of the studies. The only requirement that we place on these reviews is that the studies included in our reviews must be based on credible scientific evidence. Sadly, a lot of research is done that does not pass our test of scientific rigor. Fortunately, however, for quite a number of public policy topics, there are enough credible studies from which reasonable conclusions can be drawn. As I noted, our goal is to provide the legislature with “buy and sell” information, so a finding that something doesn’t work can be just as useful to policymaking as a finding that something works. In addition, when we discover that there is not enough credible research on a particular topic upon which we can draw a conclusion, we also provide that finding to the legislature.

Second, after we review the literature on what works and what does not, we then apply a benefit-cost test to the result to identify whether a policy option makes economic sense. Significantly, because we use a consistent way to measure benefits and costs across all policy options, all of our results can be ranked, based on comparative return-on-investment information. We then assemble the information in a “Consumer Reports” like listing of policy options. The reports have a consistent tabular structure—the same approach that Consumer Reports uses to evaluate products. This enables legislators on different policy committees to draw on a familiar looking analysis to help them make policy and budgetary decisions.

Our third research step involves assembling “portfolios” of options that legislators can use to address a particular outcome. Again, to use the crime example, if the legislature wants to reduce crime and do so in a cost-efficient manner, a number of policy options identified on our “Consumer Reports” like lists can be combined into a policy portfolio. Beginning in the late 1990s, the Washington legislature began using this information to assemble a crime-fighting portfolio and write budgets that involve a combination of sentencing, adult corrections, juvenile justice, and prevention policy options.

An underlying analytical theme of our work addresses the risk involved in our estimates. Virtually all of the single-point, bottom-line results on our lists are the product of a number of estimates and assumptions. The world is risky. We employ statistical techniques that allow us to assess the likely range of outcomes in the information we forward to the legislature. That is, we provide the legislature with two basic findings for each policy topic: (a) our best estimate of a specific benefit-cost result, and (b) the chance that a program or policy will not at least break even. This is the same sort of information that venture capitalists want when evaluating an investment: an expected return on investment, and the probability that the investment will fail. We attempt to provide the Washington legislature with this same sort of information.

Examples. I believe your staff has given you a copy of one of our reports to the legislature, “Return on Investment: Evidence-Based Options to Improve Statewide Outcomes, April 2012 Update.” That report, along with all other Institute reports, can be downloaded from our website. <http://www.wsipp.wa.gov/pub.asp?docid=12-04-1201>

The legislature has been using the information for a number of years, most notably in the area of crime policy. Those crime-related assignments were the first ones directed to the Institute by the legislature, so we are farthest along, analytically, in that important public policy area. In particular, over the last fifteen years, the legislature has increasingly used the information to both stop funding some programs for which the evidence indicates a poor return on investment, and to implement a portfolio of evidence-based crime fighting strategies. One can examine the actual budgets that have been enacted in Washington in recent years and see the direct budgetary references to the Institute’s lists for the specific funding levels. We estimate that crime is lower in Washington

because of it, and that there are about 1,200 fewer people in prison today in Washington (than there otherwise would have been) because of the lower crime.

Legislation enacted in more recent years from the Washington legislature is extending these sorts of initiatives to the areas of K-12 education and early education, children's mental health and child welfare, adult mental health and substance abuse. Members of the Washington legislature have expressed interest in early intervention as a way to promote positive outcomes such as increased human capital and economic productivity, and as a way to avoid undesirable outcomes such as child abuse, crime, and rapidly increasing health care costs.

In addition to these comments about this work going on in Washington State by the Institute, the Pew Charitable Trust and the MacArthur Foundation has an initiative named "Results First." That effort is designed to help other states assess the costs and benefits of policy options and use the information to help make decisions. The Results First project is using some of the analytical models created by the Washington State Institute for Public Policy. The Results First states currently include: Connecticut, Florida, Idaho, Illinois, Iowa, Kansas, Massachusetts, Mississippi, New Mexico, New York, Oregon, Rhode Island, Texas, and Vermont.

Conclusion. Mr. Chairman, you asked me today to speak generally about a process the Washington legislature is using to try to obtain more "bang for the buck" in policy making. Let me close by simply reiterating what I think we've learned in Washington state with this home-grown effort to try to improve public policy outcomes. We have learned that in some public policy areas, there is sufficient credible evidence from which reasonable "going-forward" conclusions can be drawn. We have found that this evidence indicates that some policies work to achieve outcomes; some policies do not work; and for some policy options, too little is presently known. We have also learned that it is possible to take a consistent business-like approach, using benefit-cost and risk analysis, to offer policymakers—state legislators in my case—with information to identify policies that are more likely to be successful.

Washington state embarked on this approach about fifteen years ago and it is now applying it to a growing number of policy areas, including some of those that are the subject of your hearing today. My comments today have been directed to the process that we are using to supply the information

to policymakers in Washington. We will be happy to share with your staff more detail on the specific findings to date.

Thank you for this opportunity to appear before your Committee.