



SECOND CHANCE RETURN ON INVESTMENT CALCULATION

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$$\text{ROI} = \frac{\text{(Taxes Paid Over One Year + Total Incarceration Expense Reduction)}}{\text{One-Year Employment Programs Cost}}$$

| | |
|---|--------------------------|
| New Graduates placed in employment positions in 2006: | 393 ¹ |
| Estimated taxes paid by these graduates over a one year period: | \$1,093,704 ² |
| Program Graduates prevented from returning to incarceration in 2006: | 62 ³ |
| * Graduates who would have returned to County jails: | 37 |
| * Graduates who would have returned to state prison: | 25 |
| Estimated average cost of an incarceration sentence for a repeat offender in County jail (180 days @ \$105.00/day): | \$18,900 ⁴ |
| Total estimated cost for a repeat offender returning to state prison: | \$311,602 ⁵ |
| * Average new term of incarceration of 6 years | |
| * \$43,287 annual expense per prisoner; 7.25% inflation per annum | |
| Net recidivism-related taxpayer savings for the 2006 program year: | \$8,485,198 ⁶ |
| 2006 Second Chance Employment Programs expenses: | \$1,908,256 ⁷ |

$$\text{2006 ROI} = \frac{\text{\$1,093,704} + \text{\$8,485,198}}{\text{\$1,908,256}} = 502\%$$

Notes

¹As reported in the Second Chance Deputy Director's *Program Outcomes Report* (2006)

²393 employment placements with 275 placements in full-time positions paying an average of \$22,000 per year and 118 placements in part-time positions paying an average of \$10.52/hour @ 20 hours/week for 50 weeks/year. These estimates were provided by Second Chance Job Developer staff members; wage data was verified in the Deputy Director's *Program Outcomes Report* (2006). Over a 12-month period these projected wages total \$7,291,360 [(275*\$22,000)+(118 * \$10.52/hour * 20 hours/week * 50 weeks/year)]. An estimated average tax rate of 15% includes federal and state income taxes, payroll taxes and tax credit programs.

³Based on the findings of a recent independent evaluation of the Second Chance Prisoner Reentry Employment Program (PREP). The evaluators found that without PREP, 70% of recently-released inmates could be expected to return to incarceration, but that with PREP this recidivism rate drops to 30%. In 2006 Second Chance graduated 156 participants from its prisoner reentry program. Based on the evaluation 62 of these graduates (40% of the total) would return to jail or prison without the PREP intervention. See *Prisoner Re-Entry Employment Program, Final Evaluation Report, 2006*, Social and Behavioral Research Institute, California State University San Marcos, July 2006. Estimates of the percentage of program clients who would have returned to state prison and County jails were provided by Second Chance program staff.

⁴Estimates regarding average length of incarceration and daily costs provided by Second Chance program staff based on recent discussions with San Diego County Probation Department leaders.

⁵We assume a new period of incarceration of 6 years for those would have returned to state prison. This estimate is based on recent discussions between Second Chance staff and officials from the California Department of Corrections and Rehabilitation. The current cost of a one-year period of incarceration in a California state prison is \$43,287 (California Legislative Analyst's Office based on California Dept. of Corrections and Rehabilitation data.) We assume annual future cost increases of 7.25%. According to the California Legislative Analyst's Office, total state spending on prisons and parole grew at a rate of 7 percent annually between 1993-94 and 2003-04 (the most recent complete data available). Since FY2005/06 the total annual cost of CDCR's operating budget has grown from ~ \$7.7 billion to ~ \$9.8 billion for the 07-08 fiscal year. See *California's Criminal Justice System: A Primer*, California Legislative Analyst's Office, January 31, 2007 (<http://www.lao.ca.gov/>) and: www.lao.ca.gov/analysis_2007/crim_justice/cj_04_5225_an107.aspx

⁶(37 graduates who would have returned to County jail @ \$18,900 average expense per person)*(25 graduates who would have returned to state prison @ \$311,602 average expense per person).

⁷As reported in Second Chance's FY2006 audited financial statements.