

The Economic Impact of Legal Aid of Nebraska

2005

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Introduction

In May, 2004 Mr. Jerome Deichert and Mr. R.K. Piper from the University of Nebraska at Omaha Center for Public Affairs Research completed a study designed to identify and describe the benefits, costs and economic impact of Legal Aid of Nebraska. In particular, the study focused on the monetary benefits received by families and individuals as a result of legal services provided by Legal Aid, the costs of operating Legal Aid, and the estimated economic impact on the state. ¹ This study, hereinafter referred to as the “initial study” was based upon 2002 data.

A secondary objective of the initial study was to develop a methodology that could be used to estimate the economic value of Legal Aid in subsequent years. ²

Except as may be otherwise noted, the methodology developed in the initial study was applied to generate this report based upon the data from 2005.

We gratefully acknowledge the continued assistance and advice provided by Mr. Jerome Deichert in this on-going process.

Differences in methodology from the initial study

The initial study, which took nearly a year to complete, involved an extensive examination of data entered into the Legal Aid case management system. ³

As a part of the study process, it was determined that the TIME system was well-suited to capture the information necessary to perform the requested computations; however, it was also determined that not all staff were aware that they should have been entering certain benefit and award information into the system. Upon further inquiry and analysis, it was estimated that the benefit and award data from 2002 was under-reported by 30%. Accordingly, in the initial study's final report (for **2002**), an adjustment was made to reflect the under-reporting.⁴

All Legal Aid staff was informed of the proper procedures for recording benefits and awards into the case management system in early 2003, and staff was instructed to insure that all such data was properly entered *retroactive* to January 1, 2003. Therefore, while there may still be some under-reporting, we continue to adopt a conservative approach and have made no adjustments for under-reporting since the original report.

In all other respects, the methodology applied to the 2005 data was identical to that used by Mr. Deichert and Mr. Piper to analyze the 2002 data.

Assumptions made

The following assumptions were developed as a part of the initial study. The assumptions were considered to be conservative. If better information becomes available, the model can be readily revised. The assumptions are:

- That SSI monthly benefits would continue, on average, for a period of 10 years.
- Other federal monthly benefit awards, child support, state disability awards, and tax savings would continue, on average, 10 years
- Alimony and day care awards were assumed to last, on average, 4 years.
- Unemployment awards are assumed to last for a period of 12 weeks (3 months). No amounts are carried forward from year to year.

The initial study was based upon 2002 data, and therefore 2002 is considered the original or base year with carry-over being computed from that year forward with **no carryover being assumed from years prior to 2002** (again following the conservative approach).

Amounts carried forward from previous years are reduced proportionately by multiplying the original total benefits for the year by a factor (number of years remaining/total number of years assumed).

For example, with a 10-year expectancy, the amount carried forward from 2002 into the next year (2003) would be (9/10, or 90%) of the original amount as 1/10 or 10% of the amount of benefits is assumed to have ended. The second year's carry-forward (of 2002's benefits) would only be (8/10 or 80%) of the original amount, as 2/10 or 20% of the amount of benefits is assumed to have ended; and, in addition, 90% of 2003's benefits would carry-over, etc. Similarly, for benefits with four-year expectancies, each year's carryover is reduced by ¼ or 25% over the four year expectancy.

2005 Economic Impact Analysis

This economic impact analysis measures one part of the income or revenue that is brought into (or prevented from leaving) the Nebraska economy as a result of activities or services provided by Legal Aid.

Federal Revenues brought into the State.

One of the most readily apparent ways in which Legal Aid brings money into Nebraska is through the revenues it receives from sources outside Nebraska. Table 1 lists these revenue sources. **For 2005, a total of \$2,048,178 was brought into Nebraska from federal sources as a direct result of Legal Aid's grants and contracts.** This amount of non-Nebraska revenue represents 46% of Legal Aid's total revenue.

**Table 1
Sources of Revenue for Legal Aid of Nebraska: 2005**

Revenue Source	Revenue Amount
LSC – Basic Field	\$1,319,193
LSC – Native American	30,164
LSC – Migrant	38,500
LSC – TIG Grant	37,328
HUD	48,734
VAWA	424,088
USDA	124,899
HHS - AOA	15,258
IRS	10,014
Total non-Nebraska Revenue to L.A.	\$2,048,178
Total Nebraska Revenue (“costs”) *	\$2,371,121
Total Revenue	\$4,419,299

Source: Legal Aid of Nebraska Annual Audit, 2005

* Revenue received from Nebraskans is a benefit to Legal Aid of Nebraska but can be thought of as a cost or investment for Nebraskans.

Federal benefit awards to Nebraskans

A second way in which Legal Aid brings new money into the state is through benefit awards received from federal sources. **As summarized in Table 2, a total of \$2,225,575 was brought into the state through federal awards to clients.** Ninety percent (90%) of those awards represented payments made in the form of federal Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI).

Table 2

Total Federal Benefit Awards in 2005

Type of Client Award	2005 Back Awards	2005 Monthly Awards	Carryover 2002-2004 Awards	Total Awards	Percent
SSI and SSDI	\$646,639	\$309,813	\$1,043,381	\$1,999,833	90
Other	4,682	10,917	210,143	225,742	10
Total	\$651,321	\$320,730	\$1,253,524	\$2,225,575	100

Direct Benefits

Other categories, such as unemployment compensation, child support, alimony, and consumer awards are other forms of client benefits which are directly measurable, but generally *do not* represent *new* dollars brought into the state.

Table 3

Total Direct Monetary Benefits to Clients in 2005

Type of Client Award	2005 Back Awards	2005 Monthly Awards	Carryover 2002-2004 Awards	Total Awards	Percent
Child Support	\$60,114	\$365,673	\$1,555,312	\$1,981,099	91
Alimony	3,633	15,650	89,321	108,604	5
Unemployment	10,156	4,026	0	14,182	1
Day care	0	0	6,623	6,623	<1
State Disability	0	0	4,902	4,902	<1
Other awards	66,128	3,135	0	69,263	2
Total Direct Benefits	\$140,031	\$388,484	\$1,656,158	\$2,184,673	100

As shown in Table 3, in 2005 child support awards, totaling \$1,981,099 account for the largest percentage (91 percent) of direct client benefits resulting from Legal Aid's services.

Indirect Benefits

Indirect benefits are the benefits that accrue to third parties or society as a whole when individuals receive services from Legal Aid. Indirect benefits are hard to identify and to measure. From the perspective of Legal Aid, these indirect benefits can be summarized in three categories: improved quality of life for the clients, tax savings for the state, and economic development.

For the purposes of this analysis, we only placed a dollar estimate on tax savings for the state. This figure is based upon the average amount that state taxpayers save when the responsibility for paying a benefit is shifted from the state to the federal government.

For 2005, the amount of tax savings to the state was \$545,982.

Costs

Costs can be obtained directly from Legal Aid's annual audit report. For the purposes of this report, "total costs" consists of any revenues provided by Nebraska sources including state or local tax dollar support, contributions from other organizations within Nebraska, other in-state monetary contributions, and the value of voluntary donations. From Table 1 above, Nebraska revenues received by Legal Aid amounted to \$2,371,121. This number then, is used to calculate the ratio of benefits to costs as it represents the total amount of dollars from within Nebraska used to produce the results.

The Multiplier Concept

A major assumption in this report involves the concept of a multiplier. It is generally recognized that each dollar spent in an area has a larger effect on that area than the original dollar. This is called the multiplier effect. The multiplier can only be estimated statistically and not measured directly. The size of the multiplier varies among areas at any point in time as well as over a period of time for one area. The larger and more self-sufficient a community is, the larger the multiplier.

The Center for Public Affairs Research had not prepared multipliers for economic sectors within the state but had reviewed a number of studies that have developed multipliers. As a result of that review, in the original study report (for 2002), Mr. Deichert and Mr. Piper assumed a multiplier of 2.0. That figure was thought to be conservative when compared to basic industries. A multiplier of 2.0 means that for every dollar brought into the state as a result of Legal Aid's activities an additional dollar is generated. ⁵

The multiplier of 2.0 is again used in this (2005) analysis.

Summary

Table 4 summarizes the economic impact of Legal Aid of Nebraska for 2005. This analysis examines only one part of the activities and services of Legal Aid —those that result in measurable income or revenue that is brought into (or prevented from leaving the state).

As set forth in Table 4, as a result of the non-Nebraska revenue sources to Legal Aid and the federal payments received by its clients, in 2005 Legal Aid brought \$4,273,753 into the state. When compared to its in-state costs of \$2,371,121 this translates into a ratio of \$1.80 in out-of-state dollars generated for every in-state dollar provided to Legal Aid. Using a multiplier of 2.0 leads to a ratio of \$3.60 to \$1.00.

Table 4
Total Economic Impact, Benefits, and Costs of Legal Aid of Nebraska: 2005

Benefit or Cost	Dollar Amount	Cumulative Amount	Ratio to Costs
Benefits to Nebraska			
Non-Nebraska Revenue to Legal Aid	2,048,178	2,048,178	0.86
Federal Awards *	2,225,575	4,273,753	1.80
Multiplier (2.0)	4,273,753	8,547,506	3.60
Direct Benefits	2,184,673	10,732,179	4.53
Indirect Benefits	545,982	11,278,161	4.76
Costs	2,371,121		

When direct and indirect benefits are added, the total benefits to Nebraska amounted to \$11,278,161 in 2005. This translates into a ratio of nearly \$5.00 in benefits for every dollar in costs.

* Revenues received directly by Legal Aid of Nebraska clients.

¹Deichert, J.A., and Piper, R.K., “The Economic Impact of Legal Aid of Nebraska: 2002, ” May, 2004; at page 7.

²Id, page 8.

³Legal Aid uses the WNYLC TIME System, developed by the Western New York Law Center, Buffalo, NY which was designed to facilitate the tracking and reporting of specific information in accordance with the federal regulations promulgated by the Legal Services Corporation (“LSC”).

⁴Ibid, page 8.

⁵Ibid, pages 6-7