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Economic Impact Of The Nebraska Legal Services Corporation

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ECONOMIC IMPACT OF THE NEBRASKA LEGAL SERVICES CORPORATION

Center for Public Affairs Research
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University of Nebraska at Omaha
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Introduction

The Nebraska Legal Services Corporation (NLSC) believes that it is increasingly necessary to provide funding sources, such as the Nebraska State Legislature and other potential contributors, with factual-information that is critical in making funding decisions. To meet this necessity, NLSC contracted with the University of Nebraska at Omaha (UNO), Center for Public Affairs Research (CPAR) to conduct an economic impact study.

The specific purposes of this study are to identify and describe the benefits, costs and economic impact of NLSC. To meet these objectives, the study focuses on the benefits individuals receive, as a result of NLSC activities and services, costs of operation of NLSC and economic impacts on the state of Nebraska.

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 an activity or service provided by NLSC. A similar methodology was employed by the Legal Aid Society of Hawaii (LASH) in 2002 which showed that Hawaii received over $4.4 million in out-of-state revenue, which otherwise would not been brought into their economy.¹

¹ According to the 2002 summary paper “The Legal Aid Society of Hawaii: A Sound Economic Investment,” LASH activities and services were responsible for bringing approximately $1.8 million in federal Supplemental Security Income (SSI), $1.75 million in grants, over $515,000 of federal reimbursements to the state for general assistance and $130,000 in federal foster care payments into the
An examination of data entered into the NLCS management information system (MIS) showed that the general area of income maintenance produced the greatest amount of “new” revenue brought into the state in 2002. NLSC tracks such client benefits in terms of back awards and monthly awards in a number of different categories.\(^2\)

As shown in Table I., federal Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI) transfer payments of $865,956 [$590,414 back awards + $275,542 total monthly benefits]) were responsible for the greatest proportion (93.1%) of directly measurable client benefits obtained due to NLSC activities and services. Other federal benefits also accounted for an additional $64,598 in new revenue ($45,374 back awards + $19,224 in monthly awards).\(^3\)

Table I.

Total Annual Economic-Impact of Client Benefit Awards in 2002

<table>
<thead>
<tr>
<th>Type of Client Award</th>
<th>Back Awards</th>
<th>Total Annual Monthly Awards</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI and SSDI</td>
<td>$590,414</td>
<td>275,542</td>
<td>865,956</td>
<td>93.1%</td>
</tr>
<tr>
<td>Other Federal</td>
<td>45,374</td>
<td>19,224</td>
<td>64,598</td>
<td>6.9</td>
</tr>
<tr>
<td>Total</td>
<td>635,788</td>
<td>294,768</td>
<td>930,556</td>
<td>100.0</td>
</tr>
<tr>
<td>Revised Total</td>
<td>826,524</td>
<td>383,198</td>
<td>1,209,723*</td>
<td>130.0</td>
</tr>
</tbody>
</table>

*Not equal due to rounding

state’s economy. This amounted to $5.49 in out-of-state revenue for every dollar of state funding LASH received.

\(^2\) The WNYLC TIME System used by NLSC was developed by the Western New York Law Center, Buffalo, NY and is designed to facilitate the tracking of client benefits and savings to taxpayers according to national guidelines established by the Legal Services Corporation (LSC).

\(^3\) In several miscellaneous categories of benefits it was unclear whether the benefits were new revenue or a redistribution of existing revenue already in the state economy. Fifty percent (50%) of the total in these categories was used as a reasonable estimate of the proportion of new dollars.
Combining SSI, SSDI and other federal benefits resulted in a total of $930,556 ($635,788 back awards + $294,768 monthly awards) new revenue brought into the state as a result of NLSC activities and services. This amount, however, actually under-represents the total economic impact on the state as a result of suspected “client benefit” data entry omissions in the NLSC MIS.

An examination of total SSI and SSDI cases handled in 2002 (175) compared with successful cases in this area (i.e., where awards sought by NLSC on behalf of their clients were granted) (88) reveals a success rate of 50%. NLSC administrators and staff estimate, however, that the actual rate of successful cases in these types of cases is nearer 80% (the discrepancy being due to some NLSC attorneys’ unfamiliarity with and organizational requirement to enter client benefits into the MIS system). When the higher estimated success rate is applied to the total number of SSI, SSDI and Other federal award cases handled and the total revenues produced by them (an increase of 30%), a revised estimate for total economic impact on the state (as shown in Table I.) is $1,209,723 ($930,566 X .30=$297,167; $930,556 + $297,167= $1,209,723).

Other categories, such as unemployment compensation, child support, alimony, landlord/tenant, employment and consumer awards are other forms of client benefits which are directly measurable, but generally do not represent new dollars brought into the state. These benefits are discussed below in Section III., Part B., Direct Benefits.

I. **Cost-Benefit Analysis**

[Insert intro]

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4 There may be exceptions, such as when alimony payments are made by a spouse in another state or unemployment compensation may in certain instances, include some federal contributions. Such refinements may be made in future studies/calculations, but were outside the scope of this study.
A. Costs

[Insert text]

B. Direct Benefits

In addition to SSI, SSDI and Other federal transfer payments that total $1,209,723 in 2002 (see Section II, pp. 1), other direct benefits to clients (that were not generally new revenue brought into the state) total $406,001 ($43,904 back awards + $362,097 monthly awards) and are grouped in the following categories: unemployment compensation, child support, alimony, landlord/tenant, employment and consumer awards.

As shown in Table II, child support awards totaling $338,262 ($17,193 back awards + $321,069 monthly awards) account for the greatest proportion (83.3%) of direct client benefits resulting from NLSC services. In addition, alimony payments account for $16,615 (monthly awards), followed by unemployment awards $6,645 and affirmative employment awards of $499. Other miscellaneous awards total $43,980 ($24,756 back awards + $19,224).

Table II.

Total Annual Economic Impact and Direct Benefits to Clients in 2002

<table>
<thead>
<tr>
<th>Type of Client Award</th>
<th>Back Awards</th>
<th>Total Annual Monthly Awards</th>
<th>Total</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Support</td>
<td>$17,193</td>
<td>321,069</td>
<td>338,262</td>
<td>83.3%</td>
</tr>
<tr>
<td>Alimony</td>
<td>0</td>
<td>16,615</td>
<td>16,615</td>
<td>4.1</td>
</tr>
</tbody>
</table>

5 The percentages shown in Table II are for direct benefits that are not generally new revenue for the state of Nebraska.

6 As was true for economic impact calculations (see footnote 3), in several miscellaneous categories of benefits it was unclear whether the benefits were new revenue or a redistribution of existing revenue already in the state economy. Fifty percent (50%) of the total in these categories was used as a reasonable estimate of the proportion of new dollars.
| Unemployment | 1,456 | 5,189 | 6,645 | 1.6 |
| Employment   | 499   | 0     | 499   | 0.1 |
| Consumer     | 0     | 0     | 0     | 0.0 |
| Landlord/Tenant | 0    | 0     | 0     | 0.0 |
| Other        | 24,756| 19,224| 43,980| 10.8|
| Total        | 43,904| 362,097| 406,001| 99.9* |
| Revised Total| 57,075| 470,726| 527,801| 130.0|
| Economic-Impact Direct Benefits (New Out-of-State Revenue) | 826,524 | 383,198 | 1,209,723* | 1,737,524* |
| TOTAL DIRECT BENEFITS | 883,599 | 853,924 | 1,737,524* | 1,737,524* |

Using the same formula applied to economic impacts to determine underestimates due to data entry omissions (an underestimate of 30%; see Section II., pp. 3), a revised estimate of direct client benefits (not including estimates of new revenue brought into the state) is $527,801 ($406,001 X .30=$121,800; $406,001 + $121,800=$527,801). As a result, a revised estimate of total direct benefits to clients due to NLSC activities and services is $1,737,524 ($1,209,723 direct client benefits consisting of new revenue brought into the state + $527,801 direct client benefits which are not generally new revenue for the state).

C. Indirect Benefits

One measure of indirect benefits in data collected by NLSC is the savings to Nebraska taxpayers that results from case activities and services. In 2002, twenty-four
(24) cases handled by NLSC attorneys resulted in clients moving off state and local welfare rolls and onto federal SSI or SSDI programs.

As a result of these case outcomes, a total savings of $121,872 is estimated for Nebraska taxpayers in 2002. Using the same formula applied to economic impacts and direct client benefits to determine underestimates due to data entry omissions (an underestimate of 30%; see Section II, pp. 3), a revised estimate of indirect client benefits (savings to Nebraska taxpayers) resulting from NLSC services in 2002 is $158,434 ($121,872 X .30 = $36,562; $121,872 + $36,562 = $158,434).

IV. Total Results and Recommendations for Further Study

This economic impact analysis, examining only one part of the income or revenue that is brought into (or prevented from leaving the state), shows that the total direct client benefits of $1,737,524 combined with indirect benefits of $158,434 results in a total of $1,895,958 in benefits (including new out-of-state revenue) and taxpayer savings due to NLCS activities and services.

Further study of other direct and indirect benefits to clients and the state of Nebraska (similar to those conducted in Hawaii and other states), should include an examination of federal earned income tax credit revenue and reimbursements to the state for general assistance, Medicare and Medicaid, foster care and unemployment benefits.

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7 Each case resulted in an estimated annual taxpayer savings of $5,078 (representing state and local welfare payments of approximately $423 per month for 12 months). This multiplier for each such case was initially developed by the Western New York Law Center in Buffalo, NY and is being used by NLSC as a reasonable estimate state and local welfare payments in Nebraska, until a more refined local multiplier can developed.