



# Social Return on Investment of Minnesota Assistance Council for Veterans

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# Acknowledgments

Minnesota Assistance Council for Veterans (MACV) believes that investing in our veterans is a priority and a sign that we care for those who have served our country. This report shows that these investments go beyond a moral responsibility and also generate economic returns to society.

Thanks to MACV's Board of Directors, dedicated and passionate staff, and special thanks to Ron Albright and the Albright Foundation for providing the guidance and resources to complete this study.

We hope that you find this report useful in your considerations how we can work together to increase strategic investments in veterans to benefit our society, our businesses, our economy, and those who have served our nation.

# General methodology and data

The main goal of this study is to show the economic impact of Minnesota Assistance Council for Veterans (MACV). We place the outcomes associated with MACV's activities in a social return on investment (SROI) framework. We compare the economic value of outcomes to the cost of resources invested in MACV. The cost-benefit analysis is expressed as total benefits divided by total costs. The resulting estimate shows the dollar amount society receives in return for every dollar invested in MACV.

The main source of information is outcome data from a sample of MACV's participants on employment, income changes, housing location and stability, and referrals to services and other programs. We combine participants' data with evidence from the literature on the potential impact of this type of intervention on economic outcomes such as health care costs, earnings, and taxes<sup>1</sup>. Program participation data refer to the years 2014 and 2015.

Benefits come from the following sources:

- Direct cash assistance provided on behalf of participants
- Increased wages from improved employment and improved health
- Increased tax revenues from additional wages
- Savings from avoided health care costs associated with reduced homelessness post-traumatic stress disorder (PTSD) symptomology
- Direct and indirect benefits from improved housing

Program cost includes the total operating cost for 2014-2015, including revenues from public and private sources, as well as in-kind resources.

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<sup>1</sup> <http://www.wsipp.wa.gov/BenefitCost?topicId=4> for references and meta-analytic results.

# Social Return on Investment of MACV

## Returns to society

Social return on investment (SROI) compares the estimated economic value of outcomes of the program with their associated investments from the perspective of the whole society (e.g. individuals, taxpayers, and other private agents such as private donors, family members, or citizens).

The total benefits associated with MACV reach \$18.8 million per year. The investment associated with these benefits is \$13.2 million, for a resulting net benefit of \$5.6 million and a return of \$1.42 for every dollar invested. The SROI ratio is larger than 1, indicating that MACV generates economic benefits that offset the value of resources invested and also generates an added value to society. The estimated benefit per participant can reach \$16,000.

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### 1. Return on investment to society

	<b>Society</b>
Benefits	\$18,836,659
Costs	\$13,233,138
Benefits minus costs	\$5,603,521
SROI	\$1.42

### *Benefits*

The majority of the benefits associated with MACV's activities come from additional personal income of veterans. A total of \$16.8 million is accrued by participants via increased wages, non-wage benefits, avoided health care costs, and housing support. Additional wages can reach \$4.8 million. The total increase in non-wage benefits such as cash assistance reaches \$9.8 million plus other in-kind benefits in the order of \$137,017. Non-wage income may include other sources not specified in the participant's records. Additional savings from avoided health care costs associated with reduced PTSD total \$2.3 million for all participants.

Many participants who suffer from PTSD receive direct services or are referred to specialized services via Lutheran Social Service of Minnesota (LSS CORE)<sup>2</sup>. These services have an estimated effectiveness rate of reducing PTSD by 34 percent, and health care cost savings

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<sup>2</sup> <http://www.lssmn.org/veterans/>

of \$1,459 per participant (See Appendix for detailed parameters and sources). There are more than 500 participants served by these services for a total of \$780,565 in benefits.

In addition, nearly 100 clients are referred to housing support services such as “Bridge Housing.”<sup>3</sup> Veterans receive vouchers (\$180) and moving cost support for a total direct benefit of \$22,020. In addition, about \$800,000 in direct benefits (rents and fees) were invested in housing for participants. Furthermore, it is expected that every dollar invested in supportive housing will generate societal returns of around \$1.32.<sup>4</sup> Thus, the investment in housing services has an indirect benefit of \$1,085,399.

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## 2. Benefits to society

	<b>Benefits</b>
Personal income	\$16,833,678
Non-wage income	\$9,758,397
Wages from increased employment	\$4,808,486
Labor market benefits from reduced PTSD	\$2,266,795
Avoided health care cost from reduced PTSD	\$780,565
Housing support	\$1,085,399
Other in-kind benefits	\$137,017
<b>Total benefits to society</b>	<b>\$18,836,659</b>

Due to data availability, some of these benefits come from providing services to approximately 65 percent of all participants. Therefore, we consider that these estimated benefits to be conservative.

### *Investment*

The total annual investment of operating MACV is \$5.4 million (2014). With approximately 1,800 veterans served, the average cost to society per participant is \$2,962. The funds to finance the operation come mainly from government sources (61%) and private donors (35%). Since the benefits in the SROI are estimated using a fraction of all participants (65%), we need to adjust the operating cost to reflect the investment required to serve these participants. Multiplying the average cost per participant by the approximately 1,173 participants from whom we computed benefits, yields an operating cost for the selected sample of \$3.5 million.

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<sup>3</sup> <http://www.bridgehousing.com/what-we-do/resident-community-services>

<sup>4</sup> <http://www.wilder.org/redirects/ReturnonInvestmentinSupportiveHousinginMinnesota.html>

In addition, many veterans served by MACV receive cash assistance of \$9.8 million. This direct assistance represents a disbursement from the government and should be included as a cost in the SROI. Adding the operating cost and the direct cash benefits results in a total cost of \$13.2 million.

## **Benefits and returns to participants, taxpayers, and private donors**

### ***Participants***

Participating veterans are the main beneficiaries of MACV's activities. Each participant receives total benefits of about \$16,000 from additional earnings and other benefits. The average cost accrued by each veteran is very small, about \$120 per year. Most costs to participants come from program fees and additional taxes paid. Therefore, participants accrue very high returns from MACV's services.

### ***Taxpayers***

The main investor in this initiative is the government. Direct returns to taxpayers' investment come from several sources: additional taxes paid by participants when they experience increases in their incomes, savings in public spending from improved housing and health conditions for veterans, other savings such as reduced incarceration costs, reduced emergency room visits, and reduced detox cost. There are also the benefits and costs from the actual military service that veterans provided.

We are not able to compute a meaningful SROI from the perspective of taxpayers. On the benefit side, we do not have estimates of many of the benefits to the government noted above. This omission would mean lower benefits and an underestimated SROI for the government. Furthermore, most of MACV's participants take part in government programs; we do not know the extent of the cost of these services. Therefore, we do not have sufficient information on all the costs and benefits accrued by the government, and therefore we can't estimate a reliable SROI for the taxpayers. However, we estimate that there are at least \$1 million in direct benefits that taxpayers can accrue every year from MACV's activities.

### ***Private investors***

Private donors finance a portion of MACV's operations (36%). This private investment is crucial in the generation of MACV's positive outcomes and economic benefits. The nearly \$1.9 million investment serves as a leverage to produce \$18.8 million in total benefits. We estimate that every dollar a private donor invests in MACV generates returns of \$3.62.

# Conclusions

Helping veterans to be an integral part of society is a moral responsibility as well as a sound economic decision. The economic benefits derived from MACV's activities summarized in this report show positive returns to society of \$1.42. Furthermore, we believe that this estimation is conservative and underestimates the total value of MACV's investment. For instance, many participants are referred to other programs from which they receive services that eventually will generate additional economic benefits. A portion of these benefits would not have materialized if not for the reference from MACV. In addition, we do not include long-term benefits from general health care stabilization and long-term employment. Besides, there are many benefits generated by MACV that are difficult to monetize and are therefore not included in the SROI estimation. Benefits to family members, caregivers, and second generations may be significant too. Other non-economic benefits may include: improved quality of life factors such as living conditions, improved self-esteem, and improved social and family interactions.

Veterans served by MACV experience improvements in their living conditions and many other aspects of their lives. We show that these positive outcomes also generate economic benefits for the veterans, taxpayers, and the whole society. We provide evidence that investing in MACV makes economic sense.



# Appendix

## Parameters and summary of selected calculations

### A1. Participation

Programs	Participants	%
MACV -ALL	1,810	100%
Income (wage and non-wage)	542	30%
Housing (Bridging-voucher)	96	5%
Moving assistance	85	5%
LSS	535	30%
Estimated number of participants included in estimation of benefits	1,173	65%

### A2. Income

Type of income	Count-Entry	%	Count-Exit	%	Percent over wages	Estimated total annual income
No income at entry	110	20.3%	12	5.5%	18%	
Wages	78	14.4%	37	17.0%	52%	2,616,382
Non-wage	260	48.0%	107	49.1%	30%	7,566,294
Both	94	17.3%	62	28.4%	100%	4,384,208
<b>Total</b>	<b>542</b>	<b>100%</b>	<b>218</b>	<b>100%</b>		<b>14,566,883</b>

### A3. Bridging program and other housing data

	N
Number referred (2015)	96
Value of voucher	\$70
Number receiving voucher	96
Moving cost	\$180
Number receiving moving cost	85
<b>Total Bridging benefits</b>	<b>\$22,020</b>
<b>Other housing benefits</b>	<b>\$800,252</b>

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**A4. Lutheran Social Services - Case Management, Outreach, Referral & Education – Minnesota (LSS CORE)**

	<b>N</b>
Clients entered 2015	344
Clients served 2015	535

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**A5. Post-Traumatic Stress Disorder (PTSD) prevention following trauma**

<b>Outcome</b>	<b>Effect size</b>	<b>Standard Error</b>	<b>Age</b>
Post-traumatic stress	-0.336	0.076	39
Major depressive disorder	-0.1	0.121	39

Source: <http://www.wsipp.wa.gov/BenefitCost/Program/242>

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**A6. Indirect effects from meta-analytic analysis**

	<b>Effect size</b>	<b>Standard Error</b>
PTSD leading to employment	-0.334	0.12
Depression leading to earnings/wages/employment	-0.031	0.016

Source: <http://www.wsipp.wa.gov/BenefitCost>

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**A7. Indirect effects from meta-analytic analysis (dollars)**

	<b>Society</b>	<b>Participants</b>	<b>Taxpayers</b>	<b>Other</b>
Estimated health care cost savings from PTSD	1,459	155	476	828
Total health care costs savings reduced PTSD	780,565	82,925	254,660	442,980
Labor market earnings (Reduced PTSD)	4,237	2,970	1267	
Total additional earnings (Reduced PTSD)	2,266,795	1,588,950	677,845	
Estimated health care cost savings from PTSD	1,459	155	476	828

Source: <http://www.wsipp.wa.gov/BenefitCost/242>