

Economic Impacts of Civil Legal Aid Organizations in Virginia:

***Civil Justice for Low-Income People Produces Ripple Effects
That Benefit Every Segment of the Community.***

Prepared for:

The Legal Services Corporation of Virginia

Prepared by:

Kenneth A. Smith, PhD

Andrea J. Brewer, M.A.

The Resource for Great Programs, Inc.

September 16, 2011

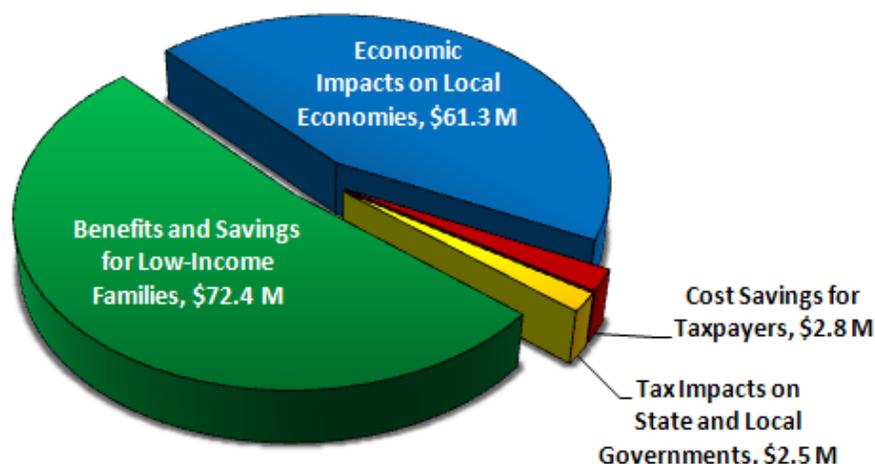
Executive Summary

Civil legal aid is, first and foremost, about *Equal Justice Under Law*. Yet, in pursuit of that mission, Virginia's civil legal aid programs produce economic benefits and cost savings that affect everyone. As described in this report, a conservative estimate of the total quantifiable economic impacts of Virginia legal aid programs in FY 2009-10 was **\$139 million**. That represents a return of **\$5.27** for every dollar of funding invested in these programs from all sources.

The impacts in FY 2009-10 included:

- **\$72.4 million** in income benefits and cost savings directly received by low-income families.
- **\$2.8 million** in cost savings for taxpayers.
- **\$61.3 million** in economic impacts of federal dollars flowing into local economies as an outcome of legal aid's representation of clients – dollars which support 850 jobs for working Virginians and provide income for businesses across the state.
- **\$2.5 million** in state and local taxes paid by the individuals whose jobs are supported by the economic multiplier impact of federally-supported benefits won for clients by legal aid.

Economic Impacts from Civil Legal Services in Virginia in FY 2009-2010



Additional economic impacts are achieved every year that are difficult to quantify, but, based on the information presented in this report, they are no less real. These include savings for businesses and their investors from the loss in home property values occurring through mortgage foreclosures that legal aid can prevent. They include reimbursements to health care providers for the cost of emergency services they would have to write off without the Medicaid eligibility that low-income families obtain through legal aid. They include efficiencies in the courts that arise from legal aid's representation of low-income people and presentation of workshops for self-represented litigants.

More funding for civil legal aid would significantly increase the economic impacts described here. Without the funding to accept more applicants who need legal assistance, Virginia civil legal aid programs are unable to prevent thousands of the evictions, foreclosures, Medicaid denials and other costly and tragic legal emergencies that low-income Virginia families experience each year. The result is a significant loss of opportunities affecting every resident.

More funding for civil legal aid represents a good economic investment, as well as a significant down payment on the promise to every Virginian: *Equal Justice Under Law*.

Introduction

The primary mission of Virginia's civil legal aid organizations is to provide access to our civil justice system for people in poverty who lack the means to hire a lawyer. Representation by civil legal aid advocates fulfills one of our society's most basic promises: *Equal Justice Under Law*.

Yet this mission also produces economic outcomes that ripple outward to benefit many other segments of society. For example, by helping disabled people qualify for federal benefit programs, legal aid brings a stream of federal dollars into the state that benefits local economies throughout Virginia. Legal aid advocates save dollars for everyone by keeping families in their homes, by helping women and children escape domestic violence, and by making public programs and our court system work better.

This report describes and quantifies some of the economic results that civil legal aid programs in Virginia provide, including the following:

- **Direct benefits and savings for low-income families**, including income to pay for daily necessities such as food, rent, electricity and transportation; for access to medical care; and for relief from debt that threatens to drag them further into poverty.
- **Cost savings for taxpayers** from legal aid's success in reducing problems that are costly for everyone – problems such as homelessness and domestic violence.
- **Economic impacts on local economies**, including a permanent economic multiplier effect resulting from federal dollars coming into the state each year that otherwise would be lost to communities across Virginia.
- **Increased tax revenues for the state and local jurisdictions** in the form of taxes paid by the occupants of the jobs created by the economic multiplier effect of legal aid.
- **Efficiencies in Virginia courts** made possible by legal aid's representation of clients and assistance to self-represented litigants.
- **Economic benefits for health care providers**, including Medicaid reimbursements for costs of providing emergency care to uninsured low-income people that would otherwise have to be written off.

The estimates of economic impacts described in this report are based on outcome statistics reported annually by all civil legal aid organizations funded by the Legal Services Corporation of Virginia (LSCV). These reports are compiled in accordance with a data collection and reporting system that was implemented by LSCV on a mandatory basis for all its grantees in 1997. These data are supplemented with information from relevant studies that quantify the dollar benefits and cost savings that flow from outcomes such as prevention of homelessness or protection from domestic violence. The methods and assumptions used in estimating the results described below are documented in footnotes throughout the report.

Overview

Civil legal aid programs produced a total economic impact of \$139 million In Virginia in FY 2009-2010

These economic impacts are summarized in Exhibit 1 below. They are described in more detail in the following sections of this report:

	Page
A. Benefits and Savings for Low-Income Families.....	3
B. Cost Savings for Taxpayers	6
C. Economic Impacts on Local Economies.....	9
D. Tax Impacts on State and Local Governments	11
E. Economic Impacts on the Courts	11
F. Conclusion	13

Exhibit 1: Summary of Economic Impacts From Civil Legal Services in Virginia, FY 2009-2010

A. Benefits and Savings for Low-Income Families	Total (\$ Millions)
1. Federal benefits for low-income families (including federal share of Medicaid) (see Exhibit 2)	\$37.1
2. State share of Medicaid benefits for low-income families (see Exhibit 3)	\$4.4
3. Income from child support payments (see Exhibit 4)	\$1.9
4. Income from other legal aid outcomes* (see Exhibit 5)	\$8.4
5. Dollar savings for families in debt (see Exhibit 6)	\$20.6
Total Direct Impact on Low-Income Families	\$72.4
B. Cost Savings for Taxpayers	
1. Savings in costs related to domestic violence (see Exhibit 7)	\$1.8
2. Savings in emergency shelter costs (see Exhibit 8)	\$1.0
Total Savings for Taxpayers	\$2.8
C. Economic Impacts on Local Economies	
1. Economic stimulus from Federal dollars circulating in local economies (see Exhibit 9)	\$61.3
2. Medicaid reimbursements for health care providers in state (see lines 1 and 2 above)	**
D. Tax Impacts on State and Local Governments	
1. State and local tax revenues generated by economic multiplier effect (see Exhibit 10)	\$2.5
E. Economic Impacts on the Courts (Not Quantified)	
1. See section "E" in report for details and relevant data.	***
Total Quantified Economic Impacts	\$139.0

* "Income from other legal aid outcomes" consists of dollar benefits achieved from consumer, education, housing and employment judgments.

** Included in "Benefits for Low-Income Families" - see lines 1 and 2 above. The sum of Medicaid benefits for FY 2009-10 was \$11.4 million, paid to health care providers to reimburse them for services rendered to low-income people.

*** The total of these impacts was not quantified but is substantial. Please see section E for details and relevant data.

**A. Benefits and Savings for Low-Income Families:
Civil legal aid enables seniors, people with disabilities, and other
Vulnerable Virginians to stay in their homes and pay their bills**

As indicated in Exhibit 1 on the previous page, civil legal aid organizations helped their clients to obtain a total of **\$72.4 million** in income and savings for which they were legally eligible in FY 2009-10. Each line in Section A of Exhibit 1 is explained in greater detail in this section.

1. Federal Funds Benefiting Low-Income Families: \$37.1 million

(a) Social Security Disability (SSD) and Supplemental Security Income (SSI) obtained through legal aid representation. As indicated in line 4 of Exhibit 2 below, these sources totaled \$21.9 million. This figure is the total of dollar outcomes data indicated in lines 1 through 3, which were compiled by legal aid programs' case management systems and reported in aggregate to LSCV for FY 2009-10. The SSI/SSD total was comprised of \$2.3 million in back awards and \$19.6 million in monthly SSI/SSD benefits received by low-income households.

Legal aid representation for these clients usually takes place after clients have been turned down or terminated from these programs, and involves representation in administrative hearings and court appeals. In the case of SSD and SSI, these cases can take years to resolve because the Social Security Administration hearing process is so slow.

Exhibit 2: Federal Funds Benefiting Low-Income Families in FY 2009-2010

A. Federal Funds Coming Into the State	Benefits from Cases Completed in FY 2009-2010		Benefits Received in FY 2009 - 2010 From Past Years' Cases				Total Impact in FY 2009-2010
	Back Awards	Monthly Benefits	2008-2009 Cases	2007-2008 Cases	2006-2007 Cases	2001-2006 Cases (Five Years)	
1. Social Security/SSI back awards	\$2,339,587						\$ 2,339,587
2. Social Security/SSI monthly benefits going forward*		\$135,923	\$206,718	\$135,427	\$133,826	\$1,021,619	
3. Total monthly benefits received (12 times Line 2)		\$1,631,076	\$2,480,616	\$1,625,124	\$1,605,912	\$12,259,422	\$ 19,602,150
4. Total SSI/SSD benefits received in 2009 (Line 1 + Line 3)							\$ 21,941,737
5. Other Federal Benefits -- Back Awards	\$121,128						\$ 121,128
6. Other Federal -- monthly benefits going forward**		\$28,341	\$23,305	\$19,674			
7. Total "Other Federal" monthly benefits received (12 times Line 6)		\$340,092	\$279,660	\$236,088			\$ 855,840
8. Total "Other Federal" benefits received in 2009 (Line 5 plus Line 7)							\$ 976,968
9. Federal share of Medicaid benefits received in 2009 (Exhibit 3):							\$ 7,011,451
10. Earned-Income Tax Credits (EITC) Received by Clients							\$ -
11. Total Federal benefits received in FY 2009-2010 (sum of lines 4, 8 9, and 10)							\$ 29,930,156
12. Federal operating grants for legal aid programs in 2009 (LSC, Title III, Other Federal Funds)							\$ 7,188,707
Total federal funds into state in 2009 (sum of lines 11 and 12)							\$ 37,118,863

* Assumed average duration of SSI/SSD benefits: 9.7 years, per Social Security Administration data. Benefit amounts for previous years are inflation-adjusted.

** Conservative assumption regarding average duration of "Other" federal benefits: 3 years. Benefit amounts for previous years are inflated-adjusted.

(b) Other federal benefits obtained through legal aid representation. Lines 5 through 8 show the figures reported by LSCV grantees for "Other" federal benefit programs such as the Supplemental Nutrition Assistance Program (formerly the "Food Stamps" program). These programs had a much lesser impact than SSI/SSD, but still amounted to almost \$1.0 million. The total is comprised of \$121,000 in lump-sum awards and aggregated monthly benefits of \$856,000 received in FY 2009-10.

(c) Medicaid benefits. Line 9 of Exhibit 2 indicates that the federal benefits secured for clients by legal aid programs included \$7.0 million from the “federal share” of Medicaid¹.

As indicated in Exhibit 3 below, these clients also received the “state share” of Medicaid benefits, which in FY 2009-10 amounted to \$4.4 million (line “F” in Exhibit 3). The total Medicaid benefits received by Virginia clients in FY 2009-10 amounted to \$11.4 million (line “C” in Exhibit 3).

Medicaid provides government-funded health insurance for two categories of recipients: (a) individuals under the age of 65 who are permanently and totally disabled and who, as a result of their health condition, will not be able to work for at least one year; and (b) other low-income people whose income fits the requirements making them eligible for SSI benefits.

As discussed in Section C of this report, these Medicaid payments represent a significant benefit to Virginia hospitals, doctors and other health care providers. These dollars went to providers on behalf of low-income people. For individuals living at or near the poverty level, Medicaid, for all practical purposes, is the only means by which they will be able to access health care, other than through much more expensive emergency room visits. As a result of the work of civil legal aid advocates, the providers were able to reduce their costs and get reimbursed for services they otherwise would have to write off. (This impact is described further in “*Economic Benefits for Health Care Providers*” on page 10.)

Exhibit 3: Medicaid Benefits FY 2009-2010

	Benefits From Cases Completed in FY 2009-2010	Benefits Received in FY 2009-2010 From Past Years' Cases*			Total Impact in FY 2009-2010
		2008-2009 Cases	2007-2008 Cases	2006-2007 Cases	
A. Benefits from Successful Medicaid Cases					
1. Cases in which Medicaid benefits were obtained or preserved	88	105	51	95	
2. Average Annual Benefit**	\$ 8,575	\$ 8,451	\$ 8,199	\$ 8,159	
3. Total benefits received (Line 1 times Line 2)	\$ 754,575	\$ 887,303	\$ 418,136	\$ 775,132	\$ 2,835,146
B. Medicaid Benefits From Successful SSI Cases					
1. Cases in which SSI eligibility was obtained or preserved	371	195	234	221	
2. Average Annual Benefit**	\$ 8,575	\$ 8,451	\$ 8,199	\$ 8,159	
3. Total benefits received (Line 1 times Line 2)	\$ 3,181,221	\$ 1,647,848	\$ 1,918,505	\$ 1,803,203	\$ 8,550,777
C. Total Medicaid Benefits Received by Clients in FY 2009-2010 (sum of lines A.3 and B.3)	\$ 3,935,796	\$ 2,535,151	\$ 2,336,641	\$ 2,578,335	\$ 11,385,923
D. Federal reimbursement percentage:	61.6%				
E. Federal Medicaid Funds Into Virginia in FY 2009-2010	\$ 2,423,663	\$ 1,561,146	\$ 1,438,904	\$ 1,587,739	\$ 7,011,451
F. State Share of Medicaid Benefits (Line C minus Line E)	\$ 1,512,133	\$ 974,005	\$ 897,737	\$ 990,596	\$ 4,374,472

*Average duration of Medicaid enrollment is estimated to be four years, based on data from the Virginia Department of Medical Assistance Services Statistical Records.

** Estimates based on data from the Virginia Department of Social Services Annual Statistical Report (2011), pp. 9-10. Dollar amounts have been adjusted for inflation.

¹ In FY 2009-2010, the Federal Medical Assistance Percentage (FMAP) for Medicaid payments in Virginia was temporarily set at 61.6 percent as part of the American Recovery and Reinvestment Act of 2009, according to a report by Fiscal Analytics, Ltd., to the Virginia Association of Counties in November 2009. In previous years it was 50 percent.

(d) Child support payments. As indicated in Exhibit 4 below, child support payments secured by legal aid advocates totaled \$1.9 million in FY 2009-10. Many of these payments resulted from judgments obtained against abusive spouses in cases involving domestic violence, wherein the legal aid advocate’s priorities were: (a) getting the family out of the abusive situation through a Protective Order, (b) addressing the income needs through a Child Support order and eligibility for emergency benefits such as Public Assistance and Medicaid, and (c) helping the client to stay out of the abusive situation permanently, if desired, through a divorce.

Exhibit 4: Child Support Payments

	Benefits from Cases Completed in FY 2009-2010		Benefits Received in FY 2009-2010 From Past Years' Cases*		Total Benefits in FY 2009-2010
	Back Awards	Monthly Benefits	2008-2009 Cases	2007-2008 Cases	
A. Benefits Awarded to Clients					
1. Back awards	\$ 90,547				\$ 90,547
2. Monthly benefits awarded*		\$ 75,873	\$ 106,501	\$ 77,734	\$ 260,109
3. Total of monthly benefits awarded (12 x Line 2)		\$ 910,478	\$ 1,278,014	\$ 932,813	\$ 3,121,305
4. Total amounts awarded (Line 1 + Line 3)	\$ 90,547	\$ 910,478	\$ 1,278,014	\$ 932,813	\$ 3,211,852
B. Percent of the Awards for Which Benefits Were Actually Received**	59.0%				
C. Estimated Dollar Impact	\$ 53,000	\$ 537,000	\$ 754,000	\$ 550,000	\$ 1,895,000

* Assumed average duration of child support payments: 3 years. Benefit amounts from past years' cases have been adjusted for inflation.

** Source of "59.0%" figure: Analysis by U.S. Census Bureau

(e) Dollar benefits from other civil legal aid work. The “Other” dollar benefits reported by LSCV grantees totaled \$8.4 million in FY 2009-10. As indicated in Exhibit 5 below, these included court awards and settlements in family, landlord-tenant, unemployment compensation benefits, consumer and other matters. Not only did this income enable vulnerable Virginia families to survive and pay their bills, but much of it – for example, unemployment compensation and family law settlements – reduced the drain on general welfare funds that otherwise would have imposed an additional tax burden on Virginia taxpayers.

Exhibit 5: Other Benefits

	Benefits from Cases Completed in FY 2009-2010			
	Back Awards	Monthly Benefits	Assumed Duration of Monthly Benefits (Mos.)	Total Impact
A. Unemployment Compensation	\$ 1,243,577	\$ 150,099	6	\$ 2,144,173
B. Family Law - Alimony	\$ 45,202	\$ 29,401	36	\$ 1,103,647
C. Affirmative Landlord	\$ 597,657	\$ 42,289	12	\$ 1,105,125
D. Affirmative Employment	\$ 459,797	\$ 13,405	12	\$ 620,654
E. Affirmative Consumer	\$ 257,267	\$ 1,615	12	\$ 276,647
F. Affirmative Education	\$ 97,558	\$ 18,979	12	\$ 325,306
G. Other Benefits	\$ 1,663,683	\$ 98,548	12	\$ 2,846,257
Estimated Dollar Impact >>	\$ 8,421,808			

The benefits summarized in this table were compiled from the Grantee Final Reports for FY 2009-2010, submitted to Legal Services Corporation of Virginia (LSCV) under the mandatory reporting requirement that has been in place since 1997.

(f) Dollars saved for families in debt. Legal aid lawyers negotiated fair settlements and secured federal bankruptcy protection that helped families to get a fresh start. As indicated in Exhibit 6 below, these outcomes of legal aid work saved low-income families \$20.6 million in FY 2009-10. In many cases, these outcomes made it possible for low-income people to resume making their mortgage and rent payments, thereby avoiding eviction or foreclosure and generating savings for creditors and society as a whole by avoiding the much higher costs that accompany those outcomes. (Please see the next section of this report, “B. Cost Savings for Taxpayers”). In other cases, legal aid lawyers enabled their clients to get debts erased that had been illegally or unfairly imposed in the first place through predatory business practices.

Exhibit 6: Dollars Saved for Families in Debt

	Dollar Savings from Cases Completed in FY 2009-2010			
	Back Awards	Monthly Benefits	Assumed Duration of Monthly Benefits (Mos.)	Total Impact
A. Bankruptcy	\$ 14,767,502	\$ 1,865	12	\$ 14,789,882
B. Negotiated Consumer Settlements	\$ 1,503,465	\$ 7,795	12	\$ 1,597,005
C. Negotiated Family Settlements	\$ 803,132	\$ 4,732	12	\$ 859,916
D. Housing/Landlord Settlements	\$ 1,000,528	\$ 39,782	12	\$ 1,477,907
E. Other Dollar Savings	\$ 1,256,842	\$ 50,706	12	\$ 1,865,314
Estimated Dollar Impact >>				\$ 20,590,024

The savings summarized in this table were compiled from the Grantee Final Reports for FY 2009-2010, submitted to Legal Services Corporation of Virginia (LSCV) under the mandatory reporting requirement that has been in place since 1997.

B. Cost Savings for Taxpayers

Legal aid's help for people in crisis saved money for everyone.

Virginia's civil legal aid programs produced cost savings totaling at least \$2.8 million in FY 2009-10 and totaling \$15.4 million over the five-year period from FY 2005-06 to FY 2009-10. They achieved this result through the following successful efforts:

1. Savings in Costs Related to Domestic Violence

A recent study in Wisconsin (applied here) examined expenditures for the average survivor of domestic violence in terms of medical care, lost wages, counseling for affected children, police resources, and incarceration of abusers. The study showed that the average savings from protecting a family from domestic violence was \$3,400. Using that figure in conjunction with the actual number of cases reported by Virginia civil legal aid programs in FY 2009-10, in which families received the outcome of protection from domestic violence, we have conservatively calculated at least some of the savings realized from the prevention of domestic violence: \$1.8 million in FY 2009-10, and \$8.5 million over the fiscal years 2005-06 through 2009-10. The figures are summarized in Exhibit 7 below.

Exhibit 7: Savings in costs related to domestic violence, five years 2005-2010

	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	Total 2005-2010
A. No. of cases for which families obtained protection from DV	523	645	428	402	470	2,468
B. Average cost per victim:*	\$3,462	\$3,462	\$3,462	\$3,462	\$3,462	
C. Estimated cost savings (\$Millions):	\$1.8	\$2.2	\$1.5	\$1.4	\$1.6	\$8.5
D. No. of people who obtained protection from domestic violence	1,315	1,664	1,016	944	1,227	6,166

* Source: "Increasing Access to Restraining Orders for Low-Income Victims of Domestic Violence: A Cost-Benefit Analysis of the Proposed Domestic Abuse Grant Program," L. Elwart, et. Al. (December 2006), page 13. Note that the amounts listed here have been adjusted for inflation.

2. Cost Savings from Homelessness Prevention (One-year Cost Savings: \$1.0 Million)

Preventing wrongful evictions and foreclosures averts homelessness and thereby reduces emergency shelter costs. Every year, thousands of Virginians face the threat of losing their home. The impact on families is substantial, resulting in lost jobs, disruption of education for children, and instability of the family involved. There are additional costs for all of society in terms of lost productivity and other ancillary damages.

It is difficult to quantify the full extent of these costs, but we have conservatively estimated the savings in direct, readily observable costs, such as the cost to state and local governments of providing emergency shelter for families rendered homeless through eviction or foreclosure.

Based on outcomes data reported to LSCV by Virginia civil legal aid programs, Exhibit 8 below shows the total number of cases in which eviction was avoided, the total number of people involved and the average cost to taxpayers in providing emergency shelters across the state. It estimates conservatively that Virginia taxpayers saved \$1 million in FY 2009-10 as a result of homelessness prevention assistance that civil legal services organizations provided. Over the five-year period between FY 2005-06 and FY 2009-10, the total impact of these savings was \$6.9 million – please see Exhibit 9 on the next page.

Exhibit 8: Savings in Emergency Shelter Costs, 2009-2010

	Total
A. Number of Cases for Which Eviction was Avoided or Delayed or Foreclosure was Averted:	598
B. Estimated # of People for Whom Eviction was Avoided or Delayed:	1,530
C. Percentage of the Above for Which Homelessness was Avoided:*	15%
D. No. of Cases in Which Family Avoided Homelessness (line A times line C):	90
E. Average Cost to Taxpayers per Homeless Family:**	\$11,550
F. Estimated Savings for Taxpayers (line D x line E):	\$1,036,035
G. Estimated total no. of people who avoided homelessness (line B x line C):	230

**We estimate that 15 percent of the people who were saved from eviction (or from having their mortgages foreclosed) would have had to go into emergency housing as a result. The reason this percentage is less than 100 is that some portion of the families who are evicted or foreclosed avoid homelessness by moving in with friends or family or by finding a rental in a different location. We found no studies on which to base a more definitive estimate of this percentage for Virginia. However, we believe 15 percent is a conservative estimate. A study in New York State ("The Homelessness Prevention Program: Outcomes and Effectiveness," New York State Dept. of Social Services, 1990; Table 3.2.) provided a figure of 22 percent for an estimate of cost savings we produced for the IOLA Fund of New York in 2010.*

***Based on available research, our conservative estimate of the average cost of emergency housing for a homeless family is \$11,550. A Massachusetts study found the average cost of a stay in emergency housing ranged between \$11,550 (for a transitional stay) and \$48,440 (for a long-term stay) -- see Dennis P. Culhane, "Emerging Research on the Cost of Homelessness," 2007 -- copy available from the authors. We found no comparable studies for Virginia, so we used the low end of this range as an assumption for estimating the cost savings of preventing homelessness in Virginia.*

Exhibit 9: Summary: Five-Year Savings in Emergency Shelter Costs, FY 2006-2010

	FY 2009-2010 (See Exhibit 8)	FY 2008-2009	FY 2007-2008	FY 2006-2007	FY 2005-2006	Total FY 2006-2010
A. Number of Cases for Which Eviction was Avoided or Delayed or Foreclosure was Averted	598	767	785	770	1,088	4,008
B. Estimated # of People for Whom Eviction was Avoided or Delayed	1,530	2,032	1,878	1,808	2,910	10,158
C. No. of Cases in Which Family Avoided Homelessness	90	115	118	116	163	601
D. Estimated Savings for Taxpayers (\$Millions)*	\$1.04	\$1.33	\$1.36	\$1.33	\$1.88	\$6.94
E. Estimated total no. of people who avoided homelessness	230	305	282	271	437	1,524

* See Exhibit 8 for details of computation for FY 2009-10. Computations for other fiscal years applied the same method and assumptions.

The savings we can quantify are only part of the story. Legal aid’s success in keeping people in their homes ripples outward to produce benefits for many other segments of society. While these are hard to quantify, they are nevertheless significant.

In testimony before a blue-ribbon task force in New York, business leaders Michael Helfer, the General Counsel of Citigroup, and Michael Smith, the President and CEO of the New York Bankers Association, described the impact of legal aid’s foreclosure prevention work on business, investors and the courts. Mr. Helfer testified that:

Foreclosure, simply as a business and financial matter, is expensive, it is value destructive and we and the holders of the mortgage itself, often investors, who are servicing the mortgage, are clearly much better off having people in the property, taking care of the property, keeping it as their own, creating more stable communities and making payments that they can make, consistent with what their economic situation is. It’s no question that it’s the right thing from the bottom line; it’s the right thing . . . from the social perspective.²

From the vantage point of the bottom line, Michael Smith, of the New York Bankers Association testified that:

Additional legal aid services would reduce court congestion and shorten the foreclosure process to bring resolution to homeowners and lenders, and in many cases, prevent further deterioration of homes and neighborhoods. . . . Legal representation for those who could not otherwise afford to have counsel in civil litigation, not only assures a fair outcome, but also greatly decreases the amount of time needed to resolve disputes and enhance efficiencies in the court system. Such efficiencies would help courts to more speedily address their overburdened dockets, provide resolution to all litigants in a timelier manner, and ultimately, save time and resources for all.³

² Testimony quoted in *The Task Force to Expand Access to Civil Legal Services in New York: Report to the Chief Judge of the State of New York*, November 2010, page 19.

³ *Ibid*, page 20.

Many other savings are produced by legal aid's work in addition to those that are quantified in this report. These include:

- **Savings from crime prevention and law enforcement assistance** achieved through civil legal aid advocates' participation in multi-agency task forces addressing community-wide issues such as domestic violence.
- **Savings from keeping children in school** whose attendance would otherwise have been interrupted by homelessness and/or domestic abuse.

C. Economic Impacts on Local Economies

More dollars for businesses; more jobs for working Virginians.

1. The Economic Multiplier Effect: A Stream of Federal Funding Bolsters Local Economies Across Virginia.

Every dollar coming into a Virginia low-income household from a source outside the state, such as a Social Security Disability check, is spent almost immediately on necessities such as food, rent, and transportation. These dollars, in turn, provide income for local businesses and support jobs for working Virginians.

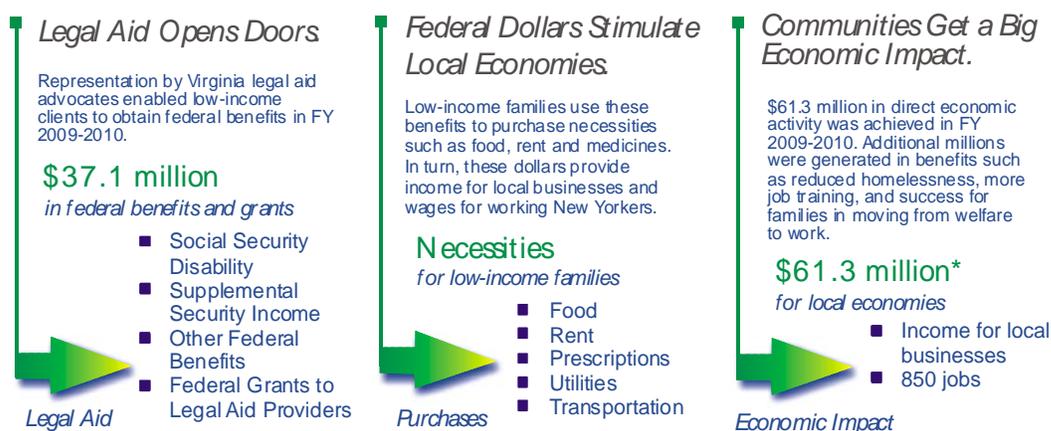
Estimates based on the universally accepted U.S. Department of Commerce input-output studies, indicate that each dollar coming into a Virginia low-income household from outside the state circulates **1.65times** through the local economy before leaving the state.

As indicated in Exhibit 10 below, the total economic multiplier effect from the federal benefits secured for clients by Virginia civil legal aid programs totaled **\$61.3 million** in FY 2009-10. These dollars flowed into Virginia businesses and supported a total of **850 jobs** for working people across the state.

Exhibit 10: Economic Multiplier Effect

	Total
A. Total Federal Funds Brought into State by Legal Aid Programs (Exhibit 2)	\$37,118,863
B. Multiplier (per U.S. Dept. of Commerce "RIMS II" Data):	1.6522
C. Total Economic Multiplier Effect of Federal Funds	\$61,327,292
D. Jobs Factor, Average Cost of Job Supported by Funds Coming in From Outside State (per RIMS II Data):	\$72,125
E. Total Jobs (Line C / Line D)	850

Economic Impact



*Total impact was estimated by applying the universally accepted U.S. Department of Commerce "Regional Economic Multiplier" for payments to low-income families in Virginia. According to the U.S. Department of Commerce "Regional Economic Multiplier" studies, each million dollars brought into Virginia from outside the state circulates through local economies 1.652 times.

The primary dollar flows in this calculation were from federal sources such as Social Security Disability (SSD) and Supplemental Security Income (SSI) payments won by legal aid advocates for their clients. Additional dollars flowed into the state from the federal share of Medicaid payments to Virginia health care providers and from other federal programs such as the Supplemental Nutrition Assistance Program.

It is important to note that this impact is ongoing, not just a one-time event. Unlike a federally funded road or a bridge, the economic multiplier effect of federal payments brought into Virginia through legal aid's work lasts for many years. The Social Security Administration estimates that the average duration of Social Security Disability payments is 9.7 years, and the average for Supplemental Security Income benefits is 10.5 years. Thus, an investment in legal assistance to establish eligibility for federal benefits for an individual or family will be repaid many times over and will continue to provide an income stream – and accompanying multiplier effect - that lasts for as much as a decade after the investment has been made by the funders of legal aid services.

2. Economic Benefits for Health Care Providers: Medicaid Benefits Secured by Legal Aid Enable Providers to Get Paid.

By helping thousands of people establish eligibility for Medicaid each year, civil legal aid enables Virginia hospitals, doctors and other health care providers to be reimbursed for the cost of treatment they would otherwise have to write off. In FY 2009-10, the Medicaid benefits produced by legal aid totaled **\$11.4 million**. These were benefits for which low-income people – and health care providers – were legally entitled but, in the absence of legal aid, would have been lost to Virginia families and their health care providers through denials of Medicaid eligibility.

In FY 2009-10, approximately 62 percent of the cost of Medicaid was reimbursed by the federal government; the remainder was provided by the state.

More funding for civil legal aid would significantly increase this impact. In Medicaid eligibility determinations, for example, many people are denied benefits through agency error and/or lack of vital information. In a typical month, thousands of individuals who apply for Medicaid will be denied coverage across the state. The eligibility requirements for Medicaid are complex. Furthermore, medical review teams that review Medicaid applications for eligibility often receive incomplete information. For these reasons, individuals who should qualify for Medicaid are often rejected.

Without the funding to accept every applicant who needs legal representation, Virginia civil legal aid programs are unable to challenge a large proportion of these denials. Not only does this represent a devastating loss to thousands of low-income families each year, it also is a lost opportunity for the businesses and their employees who would otherwise benefit from the economic multiplier effect of those federal dollars coming into the Virginia economy. And, as indicated in the previous section, it prevents health care providers across Virginia from getting reimbursed for costs they currently have to write off.

D. Tax Impacts on State and Local Governments

Increased economic activity means more revenue to support vital public services.

Millions of dollars in state and local taxes are each paid by the occupants of the jobs supported by the increased economic activity in Virginia produced by legal aid's work. (*Please see the previous section of this report.*) These tax dollars help to support education, law enforcement, fire protection, community economic development and other vital state and local government services that touch the lives of Virginia resident.

The average state and local tax burden for a household earning \$50,000 per year in Virginia was 8.4 percent in CY 2009. Applying this percentage to the earnings of the 850 workers whose jobs were supported by the economic multiplier impact of legal aid's work (see the previous section of this report) resulted in a conservative estimate of **\$2.5 million** in total state and local taxes generated in FY 2009-10.⁴ This is shown in Exhibit 11 below.

Exhibit 11: Tax Impacts

	Total
A. Total Federal Funds Brought into State by Legal Aid Programs (Exhibit 2)	\$37,118,863
B. Estimated Personal Earnings*	\$29,259,353
C. Estimated State and Local Tax Collections**	\$2,457,786

*Personal earnings were estimated by applying the U.S. Department of Commerce "Regional Economic Multipliers."

**Tax estimations are based on an assumed tax burden of 8.4 percent, which is the estimate reported in "Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison" (for a family of three living in Virginia Beach at an income level of \$50,000). These estimates include personal income tax, sales tax, property tax, and motor vehicle taxes. They do not include impacts due to corporate income taxes.

E. Economic Impacts on the Courts

Civil legal aid for the poor reduces congestion and helps courts to serve more people, more quickly, with existing resources

Courts everywhere in America are flooded with self-represented litigants, and Virginia courts are no exception. The dismal economy of the past few years has exacerbated this situation by increasing the volume of litigation around such issues as foreclosure, bankruptcy and debt collection, and by making it harder for people to afford private lawyers for help in navigating our complex court system.

⁴ This estimate is conservative in that it only includes the taxes paid by the individuals holding the 850 jobs supported by the economic multiplier effect of federal dollars coming into the state. Business taxes on the profits derived from the additional economic activity generated by the economic multiplier effect were not included in the estimate.

Civil legal aid helps courts deal with this growing crisis in two ways:

1. Representation of the Poor by Civil legal aid Lawyers Makes the Process More Efficient for All Parties.

Judges, court staff and even opposing parties have testified that having a legal aid lawyer “on the case” greatly improves efficiency of the court process as well as producing a result that is fairer for everyone. This effect was summarized as follows by the blue ribbon task force on legal aid in New York:

Evidence before the Task Force clearly establishes that the provision of civil legal services is the essential ingredient for resolving disputes before they get to court and settling them efficiently and effectively when cases do end up in court. The absence of counsel often results in just the opposite, which is in no one’s interest. Thomas Richards, the Rochester Corporation Counsel and the former CEO of Rochester Gas & Electric, put it this way:

Relatively simple aspects of the process take more time and are more likely to be adjourned or repeated. The outcome is less likely to be understood and accepted by the unrepresented party. . . . All of this adds time and frustration and expense that’s borne by everyone and ultimately leaves society with a less effective legal system.⁵

2. Legal aid’s assistance to self-represented litigants adds to the efficiencies.

Many of Virginia’s civil legal aid programs operate legal clinics and other ongoing programs to help low-income people represent themselves in simple legal matters. Not only do these services enable legal aid to serve more people with limited resources but they also produce significant cost savings for the courts as well. A recent study in California has quantified the impact of similar self-help assistance programs operated by legal aid programs in cooperation with the courts in that state, as follows:

- **Legal workshops and clinics reduce the number of court hearings and the time spent by court staff at the public counter.** The resulting cost savings measured in the California study amounted to \$4.35 for every dollar spent on the clinics. Taking into account the savings accruing to litigants in not having to attend the eliminated court hearings, the benefits increased to \$7.70 for every dollar of expenditure.
- **One-on-one support and information provided to self-represented litigants promotes court efficiency.** In the California study, one-on-one assistance was estimated to eliminate at least one hearing per case; and to save court time: 5 to 15 minutes of hearing time for every hearing held in the case, and 1 to 1.5 hours of court staff time related to providing assistance to self-represented litigants at the front counter and to reviewing and rejecting proposed pleadings. The court savings were estimated at \$1.81 to \$2.77 for every dollar spent on the services. Adding the savings accruing to the litigants increased the savings to a range of \$3.03 to \$3.85 per dollar spent.
- **Assistance to self-represented litigants aimed at resolving cases at the first court appearance reduces future court hearings.** The savings produced by the self help services were estimated at roughly \$2.22 for every dollar spent. When the costs to the litigants of attending the eliminated hearings were included, the benefit rose to \$7.14 per dollar spent on the services.

⁵ Testimony quoted in *The Task Force to Expand Access to Civil Legal Services in New York: Report to the Chief Judge of the State of New York*, November 2010, page 20.

Conclusion

More funding for civil legal aid would significantly increase the impact.

Civil legal aid is, first and foremost, about *Equal Justice Under Law*. In pursuit of that vision, Virginia's civil legal aid programs produce economic benefits and cost savings that affect everyone. In FY 2009-10, a conservative estimate of the total quantifiable economic impacts of legal aid in terms of income for low-income people, cost savings for taxpayers, revenue for businesses and job earnings for working Virginians was \$139 million. That represents a return of \$5.27 for every dollar of funding invested in these programs from all sources.

Additional economic impacts are achieved every year that are difficult to quantify, but, based on the information presented in this report, they are no less real. These include savings for businesses and their investors from the loss in home property values occurring through mortgage foreclosures that legal aid can prevent. They include reimbursements to health care providers for the cost of emergency services they would have to write off without the Medicaid eligibility that low-income families obtain through legal aid. They include efficiencies in the courts that arise from legal aid's representation of low-income people and presentation of workshops for self-represented litigants.

More funding for legal aid would significantly increase the economic impacts described in this report. Without the funding to accept more applicants who need legal assistance, Virginia civil legal aid programs are unable to prevent thousands of the evictions, foreclosures, Medicaid denials and other costly and tragic legal emergencies that low-income Virginia families experience each year. The result is a significant loss of opportunities affecting every resident.

More funding for civil legal aid represents a good economic investment, as well as a significant down payment on the promise of *Equal Justice Under Law* for every Virginian.