



SUPREME COURT OF PENNSYLVANIA  
 PENNSYLVANIA INTEREST ON  
 LAWYERS TRUST ACCOUNT BOARD

**APPENDIX: Computations for the Fact Sheet,  
 “The Economic Impact of Outcomes Obtained for  
 Legal Aid Clients Benefits Everyone in Pennsylvania”**

**April 11, 2012**

**1. Headline: “In 2011, \$53.6 Million Invested in Pennsylvania’s Civil Legal Services Yielded \$594 Million in Income and Savings for Residents and Communities and Supported 2,643 Jobs.”**

- **\$53.6 million invested in Pennsylvania’s civil legal services.** This is the total funding received by Pennsylvania legal aid providers during Fiscal Year 2011. This total was compiled by PA IOLTA, based on its records as the fiduciary for IOLTA and state Access to Justice Act (AJA) funds.
- **\$594 million in income and savings.** This is the sum of economic impacts attributable to Pennsylvania legal aid programs during FY 2011. The figure is comprised of two components:
  - **\$546 million** in direct economic activity stimulated by federal benefits. .... See “2” below.
  - **\$48 million** in cost savings produced by prevention of domestic violence and homelessness by legal assistance ..... See “7” below.
- **2,643 jobs for Pennsylvania workers,** with every million dollars in federal funds brought in supporting 13.84 jobs ..... See “6” below.

**2. \$546 million in direct economic activity was stimulated by federal benefits achieved by Legal Aid.**

This figure is the sum of:

- **\$118 million** in Social Security and Supplemental Security Income benefits received by legal aid clients in FY 2011 ..... See “3” below.
- **\$59 million** in the federal share of Medicaid benefits attained for low-income and disabled clients in FY 2011..... See “4” below.
- **\$14 million** in federal grant funds received from the Legal Services Corporation in FY 2011 ..... See “5” below.
- **\$355 million** in “economic multiplier effect – the economic activity generated as a result of the federal benefits being immediately spent by legal aid clients and subsequently circulated through the local and state economies, creating **2,643 jobs** for Pennsylvania workers ..... See “6” below.

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### 3. \$118 million in Social Security and Supplemental Security Income benefits was received by legal aid clients in FY 2011.

**a. Overview of method used to derive this figure.** The \$118-million figure was estimated using a financial model developed by *The Resource for Great Programs, Inc.* The model is based on a regression analysis of data from 15 general civil legal aid organizations in New York State and Virginia,<sup>1</sup> which collectively close more than 200,000 cases per year.<sup>2</sup>

The multipliers derived from the NY-VA outcomes model and used as assumptions in our analysis consisted of the following:

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<sup>1</sup> In Pennsylvania, outcome reporting is not required by the principal state funders, or by LSC, the federal funder. Five Pennsylvania legal aid programs collect outcomes data voluntarily for their own internal purposes. Based on interviews with the directors of the five programs, we judged the sample of programs to be too small, and our knowledge about the reliability of the PA data too incomplete, for application in our analysis. Accordingly, we applied the model (see below for details) derived from the 15-program sample of New York and Virginia programs, where outcomes reporting has been in place on a mandatory basis for over a decade and a half.

The Resource has maintained the reporting systems in the two states since assisting the state funders in design and implementation of their outcomes reporting systems in 1993 (NY) and 1997 (VA). Based on our experience with this data, we are confident that it provides a good measure of outcomes actually being achieved by legal aid programs in those states – and legal aid programs generally – for the following reasons.

In these two states, the statewide legal aid funders require their grantees to maintain data collection systems and report aggregated statistics on outcomes received by clients for all cases completed each year, including dollar awards. The outcomes are recorded in the data collection system by the advocate at the time the case is completed. Because it is mandatory as a condition of funding, and because the program leaders at the local level find the outcomes data to be useful for their internal purposes, the consistency of reporting is high.

The estimation model was derived by The Resource using a standard linear regression methodology that produces equations for estimating the average value of independent variables such as the total back awards achieved from legal representation in SSD/SSI “extended representation” cases closed by a legal aid program in a sampled year. Each program is treated as an observation. The number of SSD/SSI cases closed during the period is the independent variable; the total SSD/SSI back awards achieved for clients of the program is the dependent variable. The slope of the regression line is the average back award per extended representation case. This method is used to derive the average values of the multipliers listed above. In our most recent analysis using 2010 data, the R-squared parameter, a measure of the degree of correlation between the independent and dependent variables, ranged from 0.88 to 0.90. (A perfect correlation is 1.00).

In applying this model, we applied the average figures based on the sample of cases in New York and Virginia as benchmarks for the outcomes of legal aid cases.

Figures on the yearly output of SSD/SSI cases closed by extended representation were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN). Each program reports quarterly to PLAN on all cases handled and completed during the quarter, including the numbers of cases attributed to each funding source.

<sup>2</sup>This sample of programs and cases can be regarded as representative of “general” (but not specialized) civil legal aid practice in the “Lower 48” states.

In other jurisdictions, such as Alaska or Hawaii, adjustments would be needed to account for circumstances that differ substantially from those of the sampling of programs from which the model was derived. For example, in Alaska or Hawaii, special factors would need to be taken into account such as the unique geographies, client demographics, legal case distributions, court and administrative agency rules and other factors that affect the outcomes achieved by legal aid organizations. For application to Pennsylvania, we assume that such adjustments are not necessary, inasmuch as the circumstances of legal aid practice and the costs of doing business are generally comparable to New York and Virginia from which the outcomes data used in our model were produced.

- An average of **92 percent** of all Social Security Disability (SSD) or Supplemental Security Income (SSI) cases closed by legal aid programs through “extended representation” are successful in achieving dollar benefits for their clients. (“Extended representation” cases consist of cases that are closed by the following “major reasons:” negotiated settlement, court decision or administrative agency decision.)
- The **average back award** achieved in successful SSD or SSI cases is **\$10,008** per “extended representation” case.<sup>3</sup>
- The **average monthly benefit** achieved in SSD or SSI cases is **\$485 per month** per successful “extended representation case.

In our analysis of the outcomes of Pennsylvania legal aid programs, we applied the above multipliers to the numbers of SSD/SSI extended representation cases completed in fiscal years 2003 through 2011 by Pennsylvania legal aid programs.

The computation had two components – the total of *SSD/SSI back awards* received by clients, and the cumulative total of *monthly SSD/SSI benefits* received by clients as a result of successful SSD/SSI cases completed by legal assistance during the period covered by this analysis.

**a. Total revenue from back awards.** In FY 2011, Pennsylvania legal aid programs closed 1,991 “extended representation” cases. Application of the “92 percent” success rate derived from the regression model (see above) produces the result that 1,838 of these 1,991 cases produced SSD/SSI dollar benefits for their clients. With each successful case producing an average \$10,008 back award for its client (see above), the total received by clients in FY 2011 is \$10,008 times 1,838, or **\$18.4 million**.

**b. Total revenue from monthly benefit awards.** According to the Social Security Administration, the average duration of benefits from a SSD case is **9.7 years**, and the average for an SSI case is **10.5 years**.<sup>4</sup> For our analysis, we used a conservative figure of nine years’ average duration for SSD or SSI cases. That assumption means that each of the successful SSD/SSI cases completed by legal aid programs since 2003 continued to produce monthly benefits in FY 2011.<sup>5</sup>

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<sup>3</sup> All figures in the report were adjusted for inflation to reflect 2011 dollars.

<sup>4</sup> Rupp, Kalman and Charles G. Scott, “Trends in the Characteristics of DI and SSI Disability Awardees and Duration of Program Participation,” Social Security Bulletin, Spring 1996, page 3.

<sup>5</sup> For this analysis, we assumed that in its first year each cohort of cases produced, on average, six payments of \$485 each, and in each subsequent year 12 payments at \$485 each (in 2011 dollars). Thus, the successful cases completed in FY 2011 produced, on average, 6 payments; the remaining cohorts of cases, FY 2003 through FY 2010, produced 12 payments in FY 2011.

With this assumption, and applying the average benefit amount indicated by the regression model (\$485 per month) to the number of extended SSD/SSI legal aid cases completed in each fiscal year from 2003 through 2011, the computations shown in Exhibit 1 below were made. Each column in the table indicates the total benefit payments received in FY 2011 one “cohort” of legal aid clients whose cases were completed in the indicated year. The “Total” column at right indicates that the sum of monthly benefits received by legal aid clients in FY 2011 was **\$99.6 million**.

**Exhibit 1**  
**Computation of Total Federal Revenue in FY 2011**  
**from SSD/SSI Monthly Benefits Received**  
**by Pennsylvania Legal Aid Clients<sup>6</sup>**

Cohort (Year in which Case Closed) >>	Annual Revenue Produced in FY 2011 by Each "Cohort" of Cases (In 2011 Dollars)									Total in FY 2011
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
SSD and SSI Cases Closed in Year >>	2,410	2,410	2,040	2,136	2,489	2,219	2,006	1,829	1,991	
Success Rate (from Model)	92%	92%	92%	92%	92%	92%	92%	92%	92%	
Successful SSD/SSI Cases	2,225	2,225	1,883	1,972	2,298	2,048	1,852	1,688	1,838	
Average Monthly Benefit	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	\$ 485	
Assumed Duration of Benefits (Months) >>	12	12	12	12	12	12	12	12	6	
<b>Total Benefits:</b>	<b>\$12,949,500</b>	<b>\$12,949,500</b>	<b>\$10,959,060</b>	<b>\$11,477,040</b>	<b>\$13,374,360</b>	<b>\$11,919,360</b>	<b>\$10,778,640</b>	<b>\$9,824,160</b>	<b>\$5,348,580</b>	<b>\$99,580,200</b>

**c. Total of back awards and cumulative monthly benefits.** Adding the results of computations “a” and “b” above, we get \$18.4 million plus \$99.6 million, or **\$118 million** (rounded to the nearest \$1 million).

**4. \$59 million is the federal share of Medicaid benefits attained for low-income and disabled Pennsylvania residents.**

Recipients of SSD and SSI are automatically eligible for Medicaid coverage. Accordingly, an important benefit produced by the success of Pennsylvania legal aid programs in SSD/SSI cases (see above) is health care for thousands of low-income families – and millions of dollars in federal revenue flowing into the state as a consequence of the Federal Medical Assistance Percentage (FMAP).

The key facts used in our analysis of the economic impacts of these Medicaid benefits were as follows:

- **Recipients of SSD and SSI are automatically eligible for Medicaid coverage.** Therefore, each SSD/SSI case that was successful in producing dollar benefits (as indicated in Exhibit 1), also produced Medicaid benefits.
- **The annual Medicaid reimbursement per enrollee is state specific and varies from year to year.** Statistics are compiled on a state-by-state basis by and available from, the Centers for Medicare & Medicaid Services (CMS). For Pennsylvania, these figures ranged between **\$5,400** (in 2006) to **\$6,900** (in 2005).<sup>7</sup>
- The average “federal share” of Medicaid payments – the Federal Medical Assistance Percentage (FMAP) – for Pennsylvania from 2003 through 2011

<sup>6</sup> The figures in this table have been rounded for display.

<sup>7</sup> The figures we used in the analysis were obtained from the CMS.gov website. All figures were adjusted to constant 2011 dollars.

was **57.13 percent**.<sup>8</sup> Thus, each dollar in Medicaid reimbursements made on behalf of legal aid clients during that period represented a flow of 57 cents in federal revenue into the state.

Exhibit 2 below summarizes the computations used to estimate the total Medicaid benefits and the federal share. From Exhibit 1, the estimated number of successful cases that produced SSD/SSI eligibility – and thus Medicaid eligibility – is shown for each of the nine years from FY 2003 through FY 2011.<sup>9</sup> The total federal share computed in this manner was **\$59 million** (rounded to the nearest \$1 million).

**Exhibit 2**  
**Computation of Federal Share of**  
**Medicaid Payments Received in FY 2011<sup>10</sup>**

Successful SSD/SSI Cases (See Exhibit 1) >>	Annual Revenue Produced by Each "Cohort" of Cases, By Year (In 2011 Dollars)									Total in FY 2011
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
	2,225	2225	1883	1972	2298	2048	1852	1688	1838	
Average Annual Benefit	\$ 6,710	\$ 6,527	\$ 6,886	\$ 5,434	\$ 6,013	\$ 6,119	\$ 6,141	\$ 6,335	\$ 6,335	
Total Revenue in Year (# Cases x Benefit/Case) >>	\$ 14,929,750	\$ 14,522,575	\$ 12,966,338	\$ 10,715,848	\$ 13,817,874	\$ 12,531,712	\$ 11,373,132	\$ 10,693,480	\$ 5,821,865	\$ 107,372,574
Federal Share in PA >>	56.16%	57.00%	53.84%	55.05%	54.39%	54.08%	54.52%	54.81%	55.64%	
<b>Total Federal Share</b>	<b>\$ 8,384,500</b>	<b>\$ 8,277,900</b>	<b>\$ 6,981,100</b>	<b>\$ 5,899,100</b>	<b>\$ 7,515,500</b>	<b>\$ 6,777,100</b>	<b>\$ 6,200,600</b>	<b>\$ 5,861,100</b>	<b>\$ 3,239,300</b>	<b>\$59,136,200</b>

**5. \$14 million in federal grant funds flowed into Pennsylvania legal aid programs from the Legal Services Corporation.**

The FY 2011 total funding received by the eight LSC-funded legal aid programs in Pennsylvania was \$13.81 million. Rounded to the nearest \$1 million, this amounted to **\$14 million**.

**6. \$355 million was produced for local communities through the “economic multiplier effect.”**

This figure was derived as follows:

- **\$191 million** in direct federal revenue (\$118 million in SSD/SSI payments, \$59 million from the federal share of Medicaid payments, and \$14 million in LSC funds) flowed into Pennsylvania as a result of the operations of legal aid programs in the state. (See above.)
- **Each dollar circulates 1.86 times in the state and local economies before leaving the state.** We applied the U.S. Department of Commerce Input-Output Model<sup>11</sup> to compute the economic multiplier impact of the expenditures of the federal funds resulting from the

<sup>8</sup> Source: Congressional Research Service, “Medicaid: The Federal Medical Assistance Percentage (FMAP), Table 3.1, page 14.

<sup>9</sup> See Exhibit 1 and accompanying explanation for details about determination of the numbers of successful SSD/SSI cases produced by Legal Aid. We assume that the amount of federal Medicaid payments flowing into Pennsylvania each year per Medicaid-eligible legal aid client was equal to the average expenditure per Medicaid enrollee in the state for each year.

<sup>10</sup> The figures in this table have been rounded for display.

<sup>11</sup> For details on this methodology, visit the web site of the US Department of Commerce, Bureau of Economic Analysis at: <http://www.bea.gov/regional/rims/>. For its application in a Legal Aid context, see Hardin, Jane, “Disability Advocacy Projects: Programs That Assist Low-Income Clients and Ease State Government Fiscal Problems,” *26 Clearinghouse Review*, 776 (1992-1993).

operations of legal aid programs. This model indicates that \$1.86 in economic activity is produced from each federal dollar spent within the state.

- \$191 million times 1.86 equals **\$355 million** in total economic activity.
- **The payoff is more sales for local businesses and 2,643 jobs for Pennsylvania workers.** The U.S. Department of Commerce Input-Output Model indicates that 13.84 jobs are produced for each million federal dollars coming into low-income households in Pennsylvania. Multiplication of 13.84 by 191 (millions in federal revenue) produces the result that legal assistance supported 2,643 jobs for working Pennsylvanians in FY 2011.

#### 7. **An additional \$48 million in cost savings was achieved for Pennsylvania taxpayers and communities.**

This figure was comprised of two components, as follows.

- **\$23 million** savings through prevention of domestic violence, protecting 6,658 families in FY 2011; and
- **\$25 million** savings in emergency shelter costs through prevention of eviction and foreclosure for 1,715 low-income Pennsylvania families in FY 2011.

*a. Savings in costs related to domestic abuse: \$23 million.* This figure was estimated as follows.

- Pennsylvania legal aid programs completed **10,073** Protection from Abuse (PFA) cases in 2011.<sup>12</sup>
- Based on outcomes data from the NY-VA regression model, **66.1 percent** of all PFA cases completed by legal aid programs are successful in enabling clients to avoid domestic violence.<sup>13</sup> By multiplying 10,073 cases times 66.1 percent, we get the result that 6,658 clients and their families were protected from domestic violence.
- Based on available studies, a conservative estimate of the average savings from preventing one domestic assault per victim is \$3,462.<sup>14</sup>
- The total savings is: (6,658 cases) times \$3,462 savings per client = **\$23 million** (rounded to the nearest \$1 million). See the “2011” column in Exhibit 1 on the next page for the details of this computation.

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<sup>12</sup> Figures on the output of Protection from Abuse cases were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN).

<sup>13</sup> Please see Footnote 1 for details on the financial models used in this analysis.

<sup>14</sup> 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. This 2006 study indicated the cost due to each incident of domestic violence was \$3,201. In 2011 dollars, this is equivalent to \$3,462. This figure is very conservative because it only includes readily quantifiable costs such as medical care for injured victims, special education and counseling for affected children, police resources, and prison for perpetrators. It does not include costs that are equally real but more difficult to quantify, such as the value of time lost from school and work or the long-term costs of trauma on children and adults caused by exposure to domestic abuse.

- **“In the five-year period 2007-11, Legal Aid protected 31,550 families and saved \$109 million.”** The same data sources and multipliers were applied as described above for each of the five years ending in 2011 then summed to derive the total. Exhibit 3 below shows the details of this computation.

**Exhibit 3**  
**Five-Year Results of Legal Aid**  
**Domestic Violence Cases, FY 2007-2011**

<i>Results of Legal Aid Domestic Violence Cases, By Fiscal Year</i>						<i>Five-Year Total</i>
	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	
Total PFA Cases	10,073	9,640	9,365	9,672	8,980	<b>47,730</b>
<b>Percent of the above for which DV was avoided</b>	<b>66.1%</b>	<b>66.1%</b>	<b>66.1%</b>	<b>66.1%</b>	<b>66.1%</b>	
Cases for which families obtained protection from DV	6,658	6,372	6,190	6,393	5,936	<b>31,550</b>
<b>Average cost to taxpayers per homeless family:</b>	<b>\$3,462</b>	<b>\$3,462</b>	<b>\$3,462</b>	<b>\$3,462</b>	<b>\$3,462</b>	
<b>Estimated Cost Savings (in Millions):</b>	<b>\$23.1</b>	<b>\$22.1</b>	<b>\$21.4</b>	<b>\$22.1</b>	<b>\$20.6</b>	<b>\$109.2</b>
Average # People per Family Case who Escaped Domestic Violence:	1.81	1.81	1.81	1.81	1.81	
Estimated total # People who obtained protection from domestic violence	18,232	17,448	16,951	17,506	16,254	<b>86,391</b>

**b. Savings in emergency shelter cost: \$25 million.** This figure was estimated as follows.

- Pennsylvania legal aid programs completed **22,174** “Housing” cases in FY 2011.<sup>15</sup>
- Based on outcomes data from the NY-VA regression model, eviction is avoided or delayed or foreclosure is avoided, in **18.7 percent** of all legal aid Housing cases.<sup>16</sup>
- Applying the “18.7 percent” benchmark to the 18,558 Housing cases, we estimate that **4,147** low-income households avoided eviction or foreclosure as a result of the legal assistance they received.
- A 2010 analysis in New York State indicates that **41 percent** of households that are removed from their homes through eviction or foreclosure ultimately require emergency shelter.<sup>17</sup> (The other 59 percent are able to find shelter elsewhere – for example, by moving in with family or friends or into rental housing they are able to secure.)

<sup>15</sup> Figures on the output of Housing cases were compiled from the statewide legal services database maintained by the Pennsylvania Legal Aid Network (PLAN).

<sup>16</sup> Please see Footnote 1 for details on the financial models used in this analysis.

<sup>17</sup> Weighted average for New York State, derived in 2011 by *The Resource for Great Programs, Inc.* from data compiled for New York State by Geeta Singh, Ph.D., Cornerstone Research, summarized in PowerPoint presentation, “*Testimony at Chief Judge’s Hearing on Civil Legal Services*” (New York), September 26, 2011, Slide 7. *The Resource* collaborated with Dr. Singh in her research. She documented the percentages in each region of the state – for example, in New York City it was 43.4 percent; in suburban New York it averaged 13.6 percent; and in Upstate New York it averaged 32.1 percent. We applied the New York weighted average of 41 percent to Pennsylvania, on the premise that the costs of emergency shelter would be similar considering the proximity of these

- Applying the “41 percent” benchmark to the 3,470 avoided eviction or foreclosure cases, we estimate that **1,715** low-income households avoided the need for emergency shelter through legal assistance.
- Based again on the 2010 New York analysis, a conservative estimate of the average cost of emergency housing for a homeless family/household is **\$14,794**.<sup>18</sup>
- The total savings is: (1,715 households avoided the need for emergency shelter) x (\$14,794 savings per household) = **\$25 million** (rounded to the nearest \$1 million). See the “2011” column in Exhibit 4, below, for the details of this computation.
- **“In the five-year period 2007-11, Legal Aid helped 7,534 families avoid homelessness and saved \$111 million in emergency shelter costs.”** The same data sources and multipliers were applied as described above for each of the five fiscal years ending in 2011 then summed to derive the five-year total. Exhibit 4 below shows the details of this computation.

**Exhibit 4**  
**Five-Year Results of Legal Aid**  
**Eviction Defense and Foreclosure Prevention Cases, FY 2007-2011**

	Results of Legal Aid Housing Cases, By Fiscal Year					Five-Year Total
	2011	2010	2009	2008	2007	
<b>Total Number of Housing Cases</b>	22,174	21,456	19,035	18,442	16,297	97,404
Assumption: Percentage of the above for which eviction or foreclosure was avoided	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%
<b># Cases in which family avoided homelessness:</b>	4,147	4,012	3,560	3,449	3,048	18,215
Assumption: Percentage of the above for which emergency shelter would have been needed:	41%	41%	41%	41%	41%	41%
<b># Cases in which family would have needed emergency shelter:</b>	1,715	1,660	1,472	1,426	1,261	7,534
Average cost of emergency shelter:	\$14,794	\$14,794	\$14,794	\$14,794	\$14,794	
<b>D. Estimated Cost Savings for (\$Millions)*</b>	<b>\$25.37</b>	<b>\$24.55</b>	<b>\$21.78</b>	<b>\$21.10</b>	<b>\$18.65</b>	<b>\$111.46</b>
Average # People per Housing Case who Avoided Eviction, Obtained Additional Time or Avoided Foreclosure:	2.67	2.67	2.67	2.67	2.67	2.67
<b>Estimated total # People who avoided need for emergency shelter</b>	<b>4,584</b>	<b>4,435</b>	<b>3,935</b>	<b>3,812</b>	<b>3,369</b>	<b>20,135</b>

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two states and the similarities in their urban/suburban/rural composition, poverty population demographics and housing markets.

<sup>18</sup> We assumed the same weighted average cost for Pennsylvania as determined for New York State by Dr. Singh – see previous footnote. We believe this figure of \$14,794 is conservative, reflecting the lower range of estimates derived around the U.S. For example, a 2012 Massachusetts analysis determined that 2,017 families in family shelters cost the state an average of \$25,155 apiece and 812 families in hotels/motels cost an average of \$10,480 apiece. See Massachusetts Legal Assistance Corporation, “*Civil Legal Aid Yields Economic Benefits to Clients and to the Commonwealth*,” January 2012, Footnote 31. Studies in other states have produced figures in a comparable range between \$14,000 and \$40,000 per family.