

**Project Excellence:
A Program Evaluation Partnership**

Office of Rehabilitation and Disability Studies
Michigan State University

Michigan Rehabilitation Services
Michigan Department of Human Services

**Return on Investment
FY 2014**

March 16, 2015

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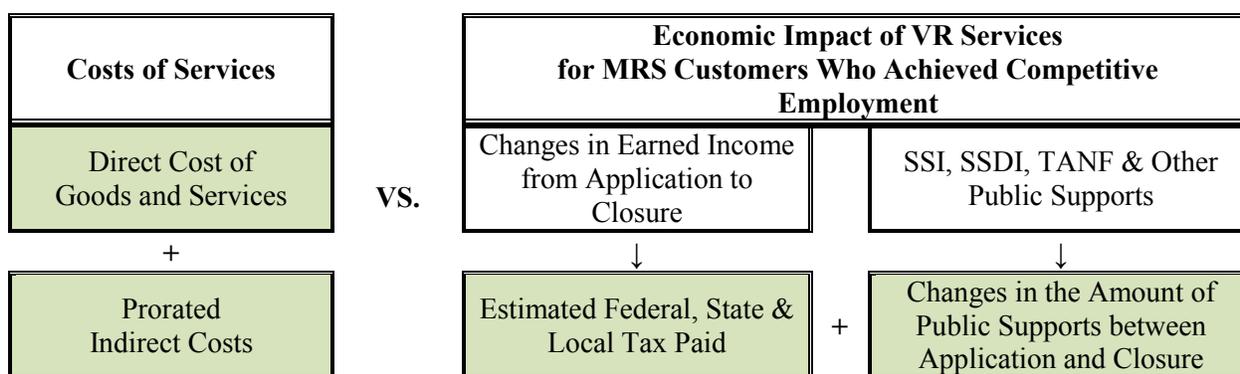
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Return on Investment for Customers with Competitive Employment Outcomes

Each year, Return on Investment (ROI) calculations have been used to measure the economic impacts of VR services relative to the costs of services for MRS customers. Competitive employment increases one's social contribution by paying taxes while increasing one's self-sufficiency and reducing public supports provided by the state. As illustrated in Figure 1, this section discusses potential repay periods and cost-benefit ratios for customers and society, using the competitively employed customers' self-reported earned income, the amount of public support benefits received and total MRS expenditures on VR services.

Figure 1: Variables Used for MRS Return on Investment Computation



Customers with Competitive Employment Outcomes

In FY 2014, MRS closed a total of 17,633 cases with 6,429 customers exiting with a competitive employment outcome. A competitive employment outcome indicates that an individual achieved an employment outcome earning at least minimum wage (\$7.40 per hour as of October 1, 2013) in one of the following employment situations: employment in an integrated setting with/without supports or self-employment.

*The investment made by MRS to assist individuals with disabilities to obtain or retain competitive employment in FY 2014 will be 'repaid' in **1.92 years (or 23.01 months)** due to the estimated increase in state, local, and federal taxes paid and the reduction in public support benefits received.*

Changes in Earned Income (Yearly Estimates)

Of the 6,429 customers who achieved a competitive employment outcome, 2,427 reported they were also employed when they applied for services. Using the yearly estimates of earned income both at application and at closure for all customers with a competitive employment outcome, there was an increase of \$65.2 million in earned income. As a result, there is a projected increase of \$17.7 million in federal, state and local income taxes paid (see Table 1). These findings are

based on the conservative assumption that customers would maintain the same rate of wage and number of hours worked per week for one year (yearly estimates).

Table 1: Changes in Earned Income for MRS Customers with a Competitive Employment Outcome in FY 2014 (N=6,429)

Change in Earned Income (Yearly Estimates)				
Employed at Application		Employed at Closure		Increase in Earned Income
N	Sum	N	Sum	
2,427	\$71,392,568	6,429	\$136,570,044	\$65,177,476

Projected Annual Tax Payment Increase Based on Increase in Earned Income (\$68,604,848)		
Estimated Federal Taxes ¹ (17.6%)	Estimated State-Local Taxes ² (9.8%)	Estimated Increase in Taxes Paid
\$11,471,236	\$6,257,038	\$17,728,273

Changes in Annual Public Support Amounts

Table 2 presents differences in the amount of public support dollars paid to MRS customers with a competitive employment outcome between the time of application and closure.

Table 2: Changes in Annual Public Support Dollar Amounts for MRS Customers with a Competitive Employment Outcome in FY 2014 (N=6,429)

	At Application		At Closure		Differences
	N	Sum	N	Sum	
SSI	527	\$3,465,384	493	\$2,947,704	-\$517,680
SSDI	665	\$7,322,736	722	\$8,106,360	\$783,624
Sub-total (Changes in Yearly Estimates of SSI & SSDI Benefits)					\$265,944
TANF	99	\$348,084	65	\$208,368	-\$139,716
General	169	\$496,068	94	\$261,000	-\$235,068
Veteran	21	\$156,252	15	\$107,040	-\$49,212
Worker's Comp	10	\$150,072	1	\$3,648	-\$146,424
Other	1,227	\$9,111,144	927	\$8,857,212	-\$253,932
Sub-total (Changes in Yearly Estimates of TANF & Other Public Benefits)					-\$824,352
Total Reduced Amount in All Public Support Benefits (Yearly Estimates)					-\$558,408

As indicated, the number of SSDI beneficiaries increased from application to closure while the numbers of beneficiaries of other public support programs decreased. In terms of the amount of public support, there was an increase in SSI & SSDI benefits (\$0.27 million) and decrease in

¹ Tax Policy Center (2011 Average Federal Tax): www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=456

² Tax Foundation - Michigan's 2011 tax burden: taxfoundation.org/article/state-and-local-tax-burdens-all-years-one-state-1977-2011

TANF & Other Public Support benefits (-\$0.82 million), resulting in a reduction of approximately \$0.56 million in the annual public support benefits paid to customers closed with a competitive employment outcome. These conservative calculations do not take into consideration anticipated decreases in the public benefits received by these customers as a result of on-going employment.

Costs of Services

The 2014 RSA-2 report and 2014 RSA-911 report were used for all calculations and were computed based on the RSA definitions of indirect and direct costs. RSA distinguishes between direct (i.e., goods and services directly provided to customers) and administrative or indirect costs. Thus, all costs related to the direct provision of VR services (e.g., assessment, placement, on the job support services) for customers are defined as direct costs. Administrative or indirect costs include counselor, supervisor and support staff salary and benefits, office leasing costs, utilities, supplies, etc.

As indicated in Table 3, the total cost of goods and services provided to customers who achieved competitive employment plus the prorated administrative overhead cost to assist them in securing and maintaining employment (N=6,429) was approximately \$26.9 million. If customers who closed with an IPE, Services initiated, but no competitive employment outcome (N=11,819) are included in the calculations, the prorated total cost was \$43.5 million.

Table 3: Direct and Indirect Costs of Services Provided to MRS Customers (FY 2014)

Prorated Cost of Services for MRS Customers with a Competitive Employment Outcome (N=6,429)		
Cost of Goods & Services Provided to Customers	Prorated Administrative/Indirect Overhead Costs	Total Prorated Cost of Services
\$23,062,437	\$3,817,909	\$26,880,346

Prorated Cost of Services for Customers who Exited MRS with an IPE and Services Initiated (N=11,819)		
Cost of Goods & Services Provided to Customers	Prorated Administrative/Indirect Overhead Costs	Total Prorated Cost of Services
\$36,444,498	\$7,018,800	\$43,463,298

Projected Number of Months to Be Repaid

In order to determine how long it would take the 6,429 customers with a competitive employment outcome to ‘repay’ the total cost of services spent to assist them in securing and maintaining employment, the total costs of services (\$26,880,346) was divided by the total annual benefits (\$558,408), including the increase of annual taxes paid plus the reduction of public support dollars received. The results indicate that the investment made by MRS to assist these individuals to secure employment will be ‘repaid’ in 1.47 years (or 17.64 months) by the estimated annual benefits contributed from the increase in state, local, and federal taxes paid and the reduction in public support benefits received by this group. When we include the total

prorated cost for customers who exited MRS with an IPE, Services Initiated (N=11,819), the repayment period would be extended up to 2.38 years (or 28.52 months).

Cost Benefit Ratio

Table 4 provides the cost-benefit ratios for customers closed with a competitive employment in FY 2014. As illustrated, for every dollar spent by MRS there was an increased benefit of \$2.42 for customers (changes in earned income), \$0.68 for society (tax paid and reduction in public supports), and a combined benefit of \$3.11 to customers and society at one year post-services.

Table 4: Cost-Benefit Ratios for Customers with a Competitive Employment Outcome

Years of Post MRS Employment	Benefit to Customers	Benefit to Society	Combined Benefit to Customers & Society
1 year	\$2.42	\$0.68	\$3.11
3 years	\$7.27	\$2.04	\$9.32
5 years	\$12.12	\$3.40	\$15.53