

January 2014

## EXECUTIVE SUMMARY



# A 108% Return on Investment:

The Economic Impact to the  
State of North Carolina of  
Civil Legal Services in 2012



# \$48,775,276

The total economic impact of legal aid services in North Carolina in 2012 was \$48,775,276.

**IN FULFILLING THEIR PRIMARY MISSION** of ensuring access to the civil legal system to all, legal aid providers also significantly boost the North Carolina economy. Free legal assistance is not provided to individuals for the purpose of stimulating the economy but rather to provide access to the civil justice system regardless of ability to pay. However, in serving the civil legal needs of low-income individuals, legal aid providers obtain millions of dollars for their clients, often in the form of new federal benefits. This money would not otherwise have entered into the state economy. These funds strengthen the state and local economies, reduce the burden on the state, and provide financial stability to families.

This document summarizes the direct economic benefit, indirect economic impact, and cost savings resulting from the work of the three North Carolina legal aid providers: Legal Aid of North Carolina (LANC), Legal Services of Southern Piedmont (LSSP), and Pisgah Legal Services (PLS).

- (1) Direct economic benefits are new federal payments obtained on behalf of clients like food stamps and disability and other direct monies secured like child support and awards in housing cases;
- (2) Indirect economic impact is an estimate of what occurs when new federal revenue enters and flows through the state and local economies, including changes in employment, wages, or business outputs within local industries due to the introduction of new spending into the market; and
- (3) Cost savings is an estimate of the avoided costs to the local and state governments in the areas of domestic violence, eviction, and foreclosure prevention.

The three providers, working in partnership with the North Carolina Equal Access to Justice Commission, compiled data about the economic benefits associated with their representation.

This report estimates that the legal representation provided by Legal Aid of North Carolina, Legal Services of Southern Piedmont, and Pisgah Legal Services during 2012 resulted in more than **\$9.2 million in new federal revenue** directed into the state of North Carolina with an **additional \$8.8 million** from other sources. **The overall direct economic impact in these two areas totals \$18,024,411.**

The indirect economic impact is the economic boost to the state and local economies through increases in employment, wages, and business outputs. **The indirect economic impact totals \$13,893,362.** Additionally, through client advocacy, the legal aid providers generated **\$16,857,503 in cost savings**, including domestic violence prevention, eviction prevention, and foreclosure prevention.

The total economic impact, including direct, indirect, and cost savings, of the provision of legal services by providers across the state is **\$48,775,276.** That is, for every dollar spent to provide legal services from all funding sources in 2012, **\$2.08 is put into the economy.** More specifically, for every dollar spent by the state to provide legal services, **nearly \$10 flows into the economy.** The return on the state's investment in legal services made to the three providers is **108%.**

The chart below details economic impact in each category analyzed.

### FEDERAL BENEFITS OBTAINED IN 2012

Source	Direct Benefit	Indirect Impact*
Supplemental Nutritional Assistance Program (SNAP)	\$166,536	\$299,765
Supplemental Security Income/Social Security Disability Insurance (SSI/SSDI)	\$9,034,668	\$13,552,002
Temporary Assistance to Needy Families (TANF)	\$19,178	\$28,767
Tax-related federal refunds including the Earned Income Tax Credit	\$8,552	\$12,828
<b>Total Federal Benefits</b>	<b>\$9,228,934</b>	<b>\$13,893,362</b>

### OTHER DIRECT AWARDS OBTAINED IN 2012

Source	Direct Benefit
Child support awards	\$115,682
Housing-related awards	\$8,679,795
<b>Total Other Awards</b>	<b>\$8,795,477</b>

### COST SAVINGS FROM 2012 REPRESENTATION

Source	Cost Savings
Domestic violence advocacy	\$1,004,963
Foreclosure prevention	
Cost to local government	\$209,840
Cost to neighboring homeowners	\$11,297,200
Eviction prevention	\$4,345,500
<b>Total Cost Savings</b>	<b>\$16,857,503</b>

### TOTAL

Direct Economic Benefit	\$18,024,411
Indirect Economic Impact	\$13,893,362
Cost Savings	\$16,857,503
<b>Total</b>	<b>\$48,775,276</b>

\*In the absence of direct research on the economic impact of new federal revenue other than SNAP, namely SSI/SSDI, TANF, and tax-related funds, this report calculates economic impact using the multiplier proposed by the Council of Economic Advisors for the impact of income support payments under the American Recovery and Reinvestment Act of 2009, specifically a multiplier of 1.5. Executive Office of the President, Council of Economic Advisors, "The Economic Impact of the American Recovery and Reinvestment Act of 2009 Fifth Quarterly Report," (Nov. 18, 2010), available at [http://www.whitehouse.gov/sites/default/files/cea\\_5th\\_arra\\_report.pdf](http://www.whitehouse.gov/sites/default/files/cea_5th_arra_report.pdf).

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