Economic Return of Afterschool Programs

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What is Return on Investment?

Return-on-Investment analysis (ROI) is the formal method economists use to compare the dollar value of the benefits of programs to the programs' costs. The formula is simply:

$$\text{Return-on-Investment} = \frac{\$ \text{ value of Benefits}}{\$ \text{ Cost of program}}$$

This analysis results in a number that indicates how many dollars of benefit are returned for every dollar used to pay for a program.

How is Return on Investment Estimated?

First, economists measure the COST of all the resources used to operate an afterschool program—from public costs to private costs to donated costs (including volunteer time and resources). Recent estimates of costs in Minnesota and elsewhere suggest the cost per youth is between $1000 to $5000 per year range with $3000 a reasonable estimate of the costs for an average program[1]. Currently public funding is often leveraged with private and donated resources as well as fees paid by families. This leveraging further enhances the return on investment for public dollars.

Second, potential OUTCOMES from afterschool programs are estimated. The outcomes based on research fall into several categories:

- improved school performance
- increased workforce preparedness
- reduced juvenile and adult crime
- reduced need of social services and
- improved health outcomes

Third, economists convert specific outcomes into BENEFITS measured in dollars and cents. For example,

- The present value of graduating from high school instead of dropping out is estimated to be $263,000 in income and $98,000 in taxes paid.
- The saved social cost of avoiding a year of residential treatment in a juvenile correctional facility is $75,300.

To calculate total benefits, economists need outcomes data from program evaluations that show how many more children graduated from high school or how much juvenile crime was avoided. New research indicates that afterschool programs can have significant impact on these types of outcomes.[2] Longitudinal research on longer-term and economically valued outcomes is underway and will yield improved estimates of the full range of benefits from these types of programs.

Fourth, these estimates of the benefits and costs are used to calculate the SOCIAL RETURN ON INVESTMENT. For example, if a program for 100 youth costing $3,000 per youth is able to help just one youth graduate who would not otherwise, that program returns a $1.20 for every dollar invested. If half the investment comes from private or donated sources, the return on investment for public dollars is $2.40. If one assumes the program also helped raise grade point averages or keeps even one youth out of residential treatment, the return goes up even higher.

Bottom Line

Recent studies of high quality programs show positive return-on-investment, though they often use only a partial list of benefits and/or sometimes conservative estimates of the benefits of different outcomes. For example,

- A UCLA analysis of an afterschool program in Los Angeles estimated benefits of $2.50 for every dollar spent, but counted only reduced crime benefits.[3]
- A Minnesota study estimated $2.72 of benefits per dollar of spending on quality youth mentoring programs.[4]
- Another Minnesota study estimated $4.89 of benefits per dollar of spending on quality early intervention programs with high-risk youth.[5]

As more careful program evaluations are conducted, more complete and accurate return-on-investment studies will be completed.

[1]Based on cost studies underway nationally by the Finance Project and Public/Private Ventures and in Minnesota by Youth Community Connections.

[2]See Little, Priscilla M.D., Wimer, Christopher, & Weiss, Heather (2007). *After School Programs in the 21st Century: Their Potential and What it Takes to Achieve It*. Harvard Family Research Project.

[3]Goldschmidt, Peter and Huang, Denise (2007), *The Long-Term Effects of After-School Programming on Educational Adjustment and Juvenile Crime: A Study of LA's BEST After-School Program*. University of California, Los Angeles.

[4]Anton, Paul and Temple, Judy (2007) *Analyzing the Social Return on Investment in Youth Mentoring Programs: A framework for Minnesota*. St. Paul, Minnesota.

[5]Anton, Paul and Temple, Judy (2007) *Analyzing the Social Return on Investment in Youth Intervention Programs: A framework for Minnesota*. St. Paul, Minnesota.