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Demonstrating the Value of Social Service Programs: A Simplified Approach to Calculating Return on Investment

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Key Points

- In 2008, as charitable giving dropped by $6.4 billion, 54 percent of human service programs saw an increase in the need for their services. Additionally, 74 percent of programs specifically serving children and youth reported being underfunded or severely underfunded.
- As government and foundation grantmakers transition from charitable giving to social investment, a Gates Foundation report on eight methodologies to assist measuring social value creation finds the methodologies are many years away from being suitable for both nonprofits and grantmakers.
- To better recognize and communicate the work of frontline practitioners, there is a need to change the orientation of our evaluation efforts to produce practice-based evidence as opposed to the current approach of evidence-based practice.
- Tested and approved this year by fatherhood programs and their federal funder, the new Program Return on Investment (PROI) tool described herein simplifies monetizing the value of program outcomes and may be able to serve as a solution for valuation for all human service programs.
- Challenges to PROI implementation include (1) foundation acceptance and development for use across all human service programs and (2) expansion of the training required to help programs/practitioners associate demonstrating value with sustaining support and embrace making a case for support that presents cost benefits and makes clear their program's return on investment.

Introduction: Creating Convergence Between Funder Demands for Accountability and Provider Needs for Sustainability

> Our nonprofits can provide the solutions. Our government can rigorously evaluate these solutions and invest limited taxpayer dollars in ones that work… Solutions to America's challenges are being developed every day at the grassroots. And government shouldn't be supplanting those efforts; it should be supporting those efforts. . . . We'll invest in those [nonprofits] most likely to provide a good return on our taxpayer dollar. —President Barack Obama

> As a leader in philanthropy, we strive to increase the effectiveness, stewardship, and accountability of our sector while providing our members with the services and support they need for success. —Council on Foundations[2]

Today's public and private funding perspectives reflect the desire to be fiscally responsible in efforts to support valued nonprofit services. This article explores the interest and challenges grantmakers face in this effort, particularly as it applies to support for community-based human service programs, and examines a response developed by the authors and approved by one federal funder and its grantees as an effective way for human service programs to demonstrate their return-on-investment value. This response, termed program return on investment (PROI), provides community-based human service programs a way to easily convert their program outcomes into the cost-

[1] This work was done while Dr. Baum worked at ICF Macro.
[2] Mission statement, as shown on www.cof.org.

benefit terms commonly associated with return on investment (ROI) analyses.

Jobs Partnership of Greater Washington (DC), a small, faith-based jobs training program, was asked last year to show how the city would benefit from giving the organization $1.7 million to build a community-based jobs center. The city official noted the program's existing financial benefit from the government in that it was not paying taxes. When program founder, Pastor Stephen Tucker, submitted a PROI case for support, outlining the cost benefits likely to be produced as a result of the center, the questioning city official was so impressed that he shared them with his peers, and funding was promptly approved and released.

The PROI tool introduced here helps address both funders' accountability and providers' sustainability needs. It simplifies the ability for providers to assess the cost and benefits of their human service programs, develop a case statement that speaks the language and reflects the ROI value that funders and policymakers now require, and use their case statement to strengthen grant and donor support, improve partnership and capacity building, and explore potential for earned-income development. One of the key distinctions of PROI from other methods for capturing the social value of programs is the fact that PROI originated directly from the needs and challenges articulated by frontline programs and practitioners, whereas measurements like social return on investment draw primarily from the evaluation/academic community.

Finally, we provide the specifics of how the tool works, placing its application in the context of training and technical assistance offered to federally funded grantees providing fatherhood and family-strengthening programs. The article concludes with some important caveats and conditions necessary to ensure the legitimacy of the measures produced through the PROI tool and how the process will continue to evolve as we better understand the different ways that effective human service interventions can impact public costs.

Funders Want Accountability

Like business and industry, funders such as government agencies and private foundations, as well as the nonprofit community organizations they fund, increasingly face the demands of "doing more with less." As reported in the *Wall Street Journal,* foundation assets fell on average about 28 percent last year (Spector, 2009). Compounding this problem is the decline in interest rates — or earnings — on those assets, which creates the challenge of not just doing more with less but simply doing even the same for less. Even before this economic downturn, foundations were making efforts to be more accountable for the funds they spent. This has intensified in the current environment, where boards are asking foundations to demonstrate that the money they have given has made a difference.

The federal effort on accountability, begun 15 years ago with passage of the Government Performance Results Act (PL 103-62), has shifted evaluation from examination of outputs (counting things you did) to outcomes (what resulted from the outputs). Foundations are now asking their grantees to demonstrate how they are achieving results through program performance measures. Ideally, the foundations are using information on the relative effectiveness and efficiency of grantee programs for making decisions. This was recently recognized in a document published by the Domestic Working Group, comprising federal, state, and local audit organizations (Domestic Working Group, 2005). That document highlights a number of promising practices, among them the following:

- Facilitate accountability among agencies in their review on factors indicative of success
- Requiring grant applications to include project objectives and impacts
- Providing evidence of program success

These principles go along with the concept highlighted by the Council on Foundations (n.d.) on stewardship. They note that council members manage their resources to maximize philanthropic purposes and that, under accountability, take responsibility for their actions. Following the practices noted above would assist them in achieving those goals.

Human Service Programs Need Sustainability

The troubled economy has increased human need but *decreased* the resources of human service programs to help meet it. The annual cost to the United States of child poverty alone has reached $500 billion (Holzer et al., 2008). In 2008, as charitable giving dropped by $6.4 billion, 54 percent of human service programs saw an increase in the need for their services, while 74 percent of the programs specifically serving children and youth reported being underfunded or severely underfunded (Giving USA Foundation, 2009). Currently, 93.6 percent of nonprofit programs have annual budgets under $1 million (Giving USA Foundation, 2009).

> ***In effect, many organizations frame the message that they are "doing good" without sufficient attention to producing the evidence — our outcomes — that they are good at what they're doing.***

While the economy has contributed considerably to the funding challenges of human service programs, most appear also to face a significant internal impediment to successfully achieving financial sustainability: *Their leaders do not equate demonstrating value with sustaining support.* According to Blackbaud's 2008 State of the Nonprofit Industry Survey (Blackbaud, 2009), nearly one-third of the 1,300 organizations reported increasing demands from donors to know how contributions were spent. Yet a higher percentage of these nonprofits rated "donor retention" and "managing supporter relationships" (78 percent) as a higher priority than "showing the impact of the organization's activities" (65 percent). Historically, nonprofit human service programs have tended to separate their fundraising efforts from the process by which they demonstrate the value of their services and programs. The approach to fundraising for many of these organizations relies on their ability to pull "heartstrings" in order to get at "purse strings." In effect, many organizations frame the message that they are "doing good" without sufficient attention to producing the evidence — our outcomes — that they are good at what they're doing. For the reasons indicated in the introduction, this is no longer sufficient for a growing number of funders.

As technical assistance providers to over 90 grantee organizations over the past two years (the majority of which were nonprofit), funded by the Office of Family Assistance (OFA) within the U.S. Department of Health and Human Services (HHS), we observed firsthand the challenges they faced in trying to make a case for supporting their programs. While program leaders showed a keen interest in learning how to make their case, most found it difficult to assign cost benefits to program outcomes. Furthermore, a number of these program managers verbally confided that, while they want to assess the cost-benefits impact of their programs, their organizational leadership is often unwilling to adjust internal workloads so as to make the time required for these assessments.

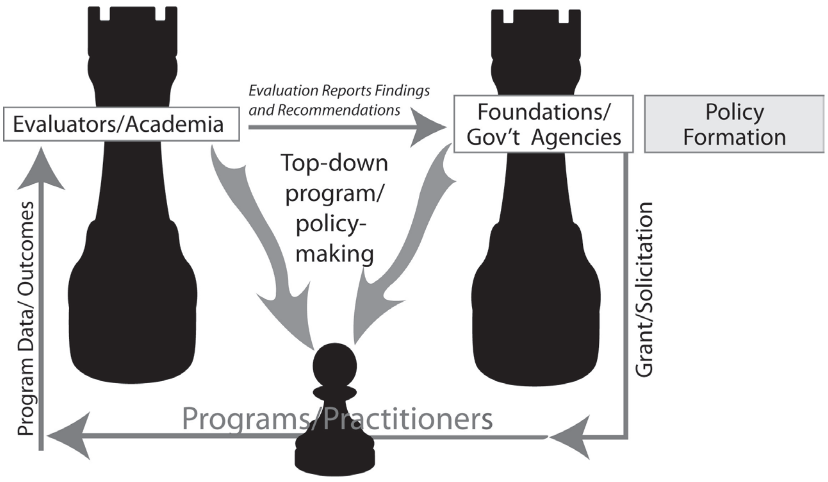
Understanding ROI in the Context of Human Service Programs

What better indicator of investment worthiness than evidence that every dollar invested in a human service program yields more than a dollar in return? This measure, or ROI, originated as a measure for private sector enterprises and businesses, defined as

> how much profit or cost savings is realized. An ROI calculation is sometimes used along with other approaches to develop a business case for a given proposal. The overall ROI for an enterprise is sometimes used as a way to grade how well a company is managed. (SearchCIO.com, 2006)

In the context of human service programs, the ROI measure would be the cost savings and/or taxpayer gains realized by the programs' interven-

FIGURE 1 The "Two Towers" Model



tions. In other words, "For every dollar placed into the program, what benefits did the community or society in general get in return?" For example, a prisoner reentry program that was able to demonstrate a lower recidivism rate for its clients would measure ROI by the cost for reincarceration that was avoided less the average cost per program participant. If the clients also gained employment, the program could cite the value their earnings contribute to the tax base. Making these calculations takes time and could require a level of research and evaluation expertise beyond the current capacity of underfunded human service programs.

PROI simplifies the ability for nonprofit human service programs to assess their cost benefits and demonstrate ROI value. The PROI process utilizes a template tested this year with federal grantees funded to promote responsible fatherhood. We believe it has the potential to serve as an interim solution for valuation for all human service programs.

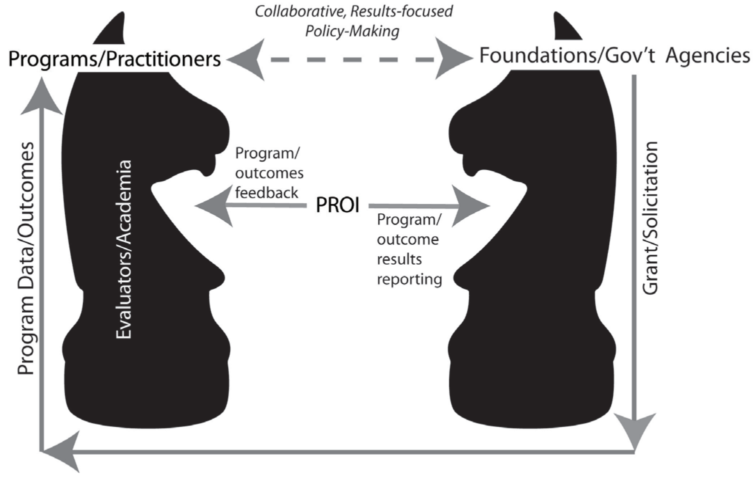
The "Two Towers" Model: What's Wrong With the Current State of Program Evaluation?

Before delving into the specifics of the PROI approach, along with a comparison to other approaches for capturing organizational/programmatic ROI in the context of human service interventions, it is first important to understand how evaluation, in general, currently relates to and interacts with both frontline programs/practitioners and funders/policymakers.

Currently, as shown in Figure 1, programs/practitioners serve primarily as a source of data (both quantitative and qualitative) for evaluators, who then use the data to develop reports with findings and recommendations for their "clients" (i.e., governmental and philanthropic funders). Funders/policymakers, in turn, presumably use this information to adjust how, whom, and what they fund, which then cycles back to programs/practitioners in the form of new solicitations and/or adjustments to existing programs they are funding.

What is missing in this "Two Towers" model (the two towers representing the evaluation/academia and the funding/policymaking communities, respectively) is the limited input and involvement of program-level practitioners, who are not sufficiently equipped to understand and appreciate the outcomes and associated impacts of their programs and services on the larger social issues they are addressing (e.g., recidivism, employment, family strengthening). This represents a "top-down" model of policymaking and community investment planning, often with no one at the table with direct, substantive experience in the day-to-day challenges associated with serv-

FIGURE 2 The PROI Model



ing these clients and communities. As a result, programs/practitioners are limited to being mere "vendors" of services, with little or no ability to provide substantive input on how to interpret evaluation findings and recommend changes in funding strategies.

Changing the Model Through PROI

In this climate of limited resources, nonprofit practitioners are discovering that simply "doing good" (i.e., being a charitable organization) is not sufficient for public and private funders. Increasingly, nonprofits are required to produce a business case statement that clearly demonstrates and measures the socioeconomic benefits their programs produce.

Grassroots human service providers have responded to these increasing accountability demands of funders by adopting more sophisticated data-capturing tools, such as case management software, to provide more specific evidence of their program's efficacy. Many grassroots providers consider evaluation problematic and a time-consuming interference to their human service mission. For example, the federal Substance Abuse and Mental Health Services Administration cites grantee concerns about evaluation, such as finding the process "intimidating," that "skills necessary for required evaluation are not available," that it will "generate few if any helpful findings," and "fear that the results of the evaluation will damage the program" (SAMHSA Center for Mental Health Services, n.d.).

Some of the grassroots programs with whom we spoke in connection to providing PROI training often outsourced evaluation responsibilities to universities and third-party evaluators to "take care of" these data requirements, thus reflecting a limited interaction with and ownership of information from their own programs to inform and adjust their approach and strategy.

Should frontline human service practitioners become equipped with the knowledge and training to "own" their outcomes and impacts and not simply to furnish data to be compliant with its funders, they would have a more substantive role in informing funding and policy decisions aimed at redressing their communities' critical needs and challenges. This ownership entails the ability to tell their story by means of program outcomes data that include well-reasoned (i.e., research-based) evidence of the costs that are alleviated/avoided as a result of their program interventions. In other words, they need the capability to produce valid cost-benefit analyses as a primary though not exclusive means for conveying impact on addressing the needs in their respective communities.

Under the PROI model, the evaluation capability does not stand alone, nor does it stand above the frontline practitioners; instead, it becomes embedded into the program/practitioner. As shown in Figure 2, the PROI knowledge and capability on the part of the program/practitioners allows for a more collaborative policymaking and community investment process between practitioners and funders. Because practitioners are better able to convey their outcomes and impacts, funders are likewise provided with more reliable data reporting to justify the overall impact/cost benefits of their community investment plans.

The investment of time and effort for a particular human service provider to research, vet, and analyze the relevant measures for PROI would be too sizable, which is why the PROI tool develops these measures on behalf of similar programs (as will be shown in the description of the methodology later in this article).

Having extolled the virtues of the PROI approach, we must also caution that no single approach can provide all the answers. Community-based programs typically go through life cycles, some being more mature than others. Mature programs may have better success rates that result in higher PROI than newer programs. If PROI were the only determinant, then newer programs might never be funded. Grantees and funders must realize that this is one of a series of measures that should be presented in the battle for funds.

PROI Differentiated From Other ROI/Cost–Benefit Approaches

A recent report prepared for the Gates Foundation provides an overview of eight approaches, or methodologies, for integrating cost in measuring and/or estimating social value creation (Tuan, 2008). This report represents what may be the most comprehensive and insightful review to date of efforts to value or monetize the productivity of nonprofit programs. It contends that a true, high-fidelity approach to measuring nonprofit ROI is many years away, largely because of the challenges of amassing the right data and developing a standardized approach acceptable to both the nonprofits that must use it and the grantmaking publics that must sanction it.

Noticeably lacking in the methodologies described in the Gates Foundation report and emblematic of the aforementioned "Two Towers" model is any reference to the role of the program/practitioners, apart from the data captured with respect to their services and client interventions. While the valuation efforts and tools examined in the Gates Foundation report center on the needs of public and private funders to account for their investments in communities, the PROI tool was built around the needs of frontline provider organizations and their struggle to sustain their programs through more effective means for demonstrating their value.

Mature programs may have better success rates that result in higher PROI than newer programs.

The PROI tool, as applied in the context of our work with programs promoting responsible fatherhood, enables grassroots programs to use a synthesis of reliable national- and state-level cost data for social services attributable to absent fathers and then calculate the cost benefits that their services to fathers help facilitate. Although far from perfect in ensuring high fidelity, the cost-benefits data produced have been sufficient to impress agencies at both the federal and the state level. A senior member of the federal agencies funding fatherhood programs has expressed interest in considering the approach as a means to assist their future grantmaking decisions and is planning to invite other HHS agencies to consider facilitating use of PROI for their grantees.

The Gates Foundation report raises two questions that are related to the future of nonprofit valuation and that are relevant to considering the utility of the PROI tool:

1. What is the primary purpose for the social sector to pursue an integrated cost approach to measuring and/or estimating social value?

2. What will the sector do with the resulting information?

Grassroots programs serve at the front lines of human need, largely with government and philanthropic (i.e., foundation) support. At a time when government and foundations are called on to be more accountable, it is imperative that these small yet significant programs be able to systematically and reliably analyze and present their cost benefits to prove investment worthiness. Used retrospectively, the PROI tool provides a simple, cost-effective way for human service programs to calculate ROI, thus presenting their case for support in a standardized format. Grantmakers reviewing these PROI cases could save considerable time and money choosing programs worthy of funding and evaluating the value and cost-effectiveness of those they fund.

The Origins of PROI: Grantee-Driven, Grantee-Friendly

Perhaps the most important distinction of the PROI tool is that the impetus for developing it and the efforts since to refine it stemmed from the input of grassroots grantees. In 2007, we developed and conducted a series of training and technical assistance roundtables and conference workshops for over 90 grantees, funded through the OFA. The purposes of these efforts were to (1) facilitate peer learning among grantees and (2) provide targeted training on particular programmatic and program management topics, ranging from recruiting program participants (i.e., fathers) to improving financial sustainability.

The roundtables and workshops were organized around topics deemed by grantees as important and relevant to the delivery of responsible fatherhood services. Also included were presentations by professional evaluators on how to build project sustainability through evaluation and collaboration. During a plenary event at the roundtable held in October of 2008, a grantee asked whether it might be possible to prove the value his program created for his community. We suggested producing such proof might very well be possible given the data available through a study newly released by the National Fatherhood Initiative titled *The One Hundred Billion Dollar Man: The Annual Public Costs of Father Absence* (Nock & Einolf, 2008) (hereinafter referred to as the Report). The Report compiled the array of public costs of government programs associated with fatherlessness and the care of children and families that lacked fathers.

OFA authorized us to research and develop workshops to help the grantees demonstrate their socioeconomic value. The resulting training, Building a Case Statement, introduced how to make a compelling case for support. Drawing from the data in the Report and findings from other reliable government and nonprofit research organizations, we created the PROI tool to enable grantees to simplify assessing and presenting the cost-benefit value of their fatherhood programs.

During 2008, over 87 staff from about 75 fatherhood grantee programs received the seven-hour training. It was among the highest in both ratings and attendance and received an overwhelmingly positive response. Many grantees cited, in particular, valuing what we now call the PROI tool because it helped ease producing impressive demonstrations of ROIs, customized to their individual program. According to one grantee, Catherine Tijerina from the RIDGE Project (Defiance, Ohio):

> As we returned from the Building a Case Statement workshop with our initial case statement in hand, we were thrilled to be able to better articulate the value of our program to our stakeholders. The data and statistics provided have saved us countless hours of research. We have been able to utilize our case statement to increase community awareness and support for our programs, report program successes to stakeholders including the Governor, legislators, community members, Department of Rehabilitation and Corrections, and partners. The data and statistics provided allowed us to document both the need for and value of our program. As a direct result of having the case statement, we have attracted additional volunteers and interest from possible funding sources to help create sustainability, media interviews, and attendance of over 200 people at our Father's Day Celebration/Open House.

Grantees attending this workshop clamored for additional training and support, which prompted OFA to support our development of a series of support webinars on building a case statement. These voluntary sessions served 37 grantee staff. Almost half had attended the original workshop, and the rest were newcomers who had heard of its value from their peers. In addition to learning how to use the PROI tool, grantees discovered how to present the value of their fatherhood programs from the perspectives of government and foundation grantmakers, whose primary concern is child and family well-being. Throughout the workshops and subsequent web-based sessions, grantees repeatedly pointed to the PROI component as the most significant and important for their sustainability planning efforts. As another attendee, Calvin Williams, program director for Lighthouse REAL Dads (Cincinnati, Ohio) explained,

> The Building a Case Statement workshop blew me away for two reasons. We had already worked with a local business consultant in analyzing our need and abilities to promote our program outcomes to the community as part of the effort to secure investment. He led us to a point where we had to define the value that the community receives for investing in our program. This had to be done using credible numbers, of course. So, when I got to the case statement workshop and understood what was taught to us, I was thrilled because the answer was handed to us right there at the workshop. The other reason was that there seemed to be a tremendous amount of effort to organize the data that were handed to us on disc. Clearly, someone thought hard and worked hard to pull that together. It was the answer, or the beginning of the answer, to defining and describing the value the community receives because of our work.

Development of the PROI Tool

Table 1 from the *100 Billion Dollar Man Report* served as the inspiration for the development of a tool that could be applied at the individual program/community level. The underlying logic is that if one can capture the costs associated with father absence, then one has a good estimate of the costs that can be avoided through father presence. The same caveats offered in the Report also apply here:

- Not every household led by a single mother will incur all 14 line items of cost.
- "A father remaining in a household, or returning to a household, will not immediately reverse the federal outlay for that household, but makes that household 4.5 times less likely to live in poverty."

Despite these caveats, the data presented in the Report provide a picture of the cost to society of fatherlessness and to serve as a call to action to reduce this $100 billion annual outlay.

The PROI tool provides a simple yet effective method using averages based on national or even state data.

To create the tool, we needed to recalculate the total program costs into per household or per person costs. These unit costs could then be used to estimate the effect of returning fathers to the households that make up the population of recipients of our grantees' social service programs. Because the chart shows the costs of programs at a national level, the resulting calculations yielded national averages. A better approximation can be achieved by using state and/or county data where available. And, of course, the best estimate of savings would come from surveying the actual households served. Gathering these data would be time-consuming and place a large burden on the programs. Thus, the PROI tool provides a simple yet effective method using averages based on national or even state data.

The Report presents the full national budget for 14 federally funded programs and multiplies those totals by the percentage of that budget that goes to fatherless households to arrive at the dollar figure devoted to father-absent households. Thus, these numbers would need to be recalculated when the national budget for one of these programs changes by more than a few percent or each time the rules limiting or expanding par-

TABLE 1 Annual Spending by Public Programs for Fatherless Families in FY 2006

Total Expenditures (FY 2006) for Fatherless Households			
Program Type and Name	Total Program Budget (in millions)	Percent Father-Absent Families	Cost of Services to Father-Absent Families (in millions)
Income support			
Earned Income Tax Credit	$36,166	41.0	$14,828
Temporary Assistance to Needy Families	$17,140	87.5	$14,998
Child Support Enforcement	$4,268	89.5	$3,820
Supplemental Security Income (children)	$6,948	56.3	$3,912
Nutrition			
Food Stamps	$34,745	26.8	$9,312
School Lunch	$9,665	69.2	$6,688
Women, Infants, and Children	$5,363	55.2	$2,960
Health			
Medicaid (children)	$31,900	71.0	$22,649
SCHIP (single parents)	$4,539	35.0	$1,589
Social services			
Head Start	$6,851	48.2	$3,302
Child Care	$4,981	87.5	$4,358
Housing			
Energy Assistance	$3,160	37.0	$1,169
Public Housing	$3,564	37.0	$1,319
Section 8 Rental Subsidies	$24,037	37.0	$8,894
Total	**$193,327**		**$99,798**

SOURCES: All program expenditures are from the 2007 or 2008 Federal Budget of the United States (for FY 2006 expenditures). All multipliers (percentage female-headed households) are explained and cited in the Appendix (page 14).

ticipation change. For the purposes of the PROI, we started with the figures in the last column of the Report and equated the figures related to fatherless households with the unit of analysis — “father-absent family” or “fatherless household,” as the title of chart and column headers would suggest. Our researchers then visited both the source sited in the Report as well as the Web site of the federal program referenced. In most cases, we found a reference to the total number of households served or the total number of individual recipients. In a few instances, we were forced to rely on secondary sources when the federal government failed to break down the number of recipients either by household or by individual persons. We divided the total program dollars by the number of households or individuals served, depending on the data available, and arrived at the per household or per person cost.

A couple of examples, from the two federal programs that contribute the greatest share of the $100 billion annual outlay (Medicaid at $22,649,000,000 and Temporary Assistance to Needy Families [TANF] at $14,998,000,000) will help illustrate how this was accomplished. For Medicaid, we visited a Web site maintained by the Henry Kaiser Family Foundation (Statehealthfacts.org, n.d.) and found a table called "Medicaid Payments per Enrollee, FY2006." This is the most current data available. The enrollees are categorized as Children, Adults, Elderly, and Disabled, and the average is presented in a fifth category called "Total." Neither the elderly nor the disabled are the focus of father-absent households; we therefore focused on the payments to children and adults. The national average per person is $1,708 for children and $2,142 for adults, so our generic example uses these figures. The table shows these figures for every state in the union. Maine tops the list for per child expenditure at $4,237 per child, and Alaska spends the most per adult at $4,851. Because of this variability, it is best to use figures that pertain to the state in question.

These data present what is a recurring problem. The most current federal or state data are often for two or more years past when we want to estimate. For example, the numbers just presented are from fiscal year (FY) 2006, and we wanted to use them in FY 2009. Many of these expenditures have risen over time; the easiest solution is to merely recognize that and acknowledge that the ROI is a lower limit. Programs that have individuals with some mathematics skill can adjust the numbers by the urban cost-of-living index available from the U.S. Department of Labor.

The second example regards TANF expenditures and is based on the National Center for Children in Poverty's Web site (National Center for Children in Poverty, n.d.), which noted that total spending in FY 2006 was $9.9 billion for 1.8 million families. Dividing the cost by those served results in the cost per family assisted — $5,500 ($9.9 billion/1.8 million). Again, this is a lower limit because the data are three years old.

This methodology was applied to each of the other 12 federal programs to generate a cost of services per father-absent household (displayed as column 2) and the cost per child or parent (column 3). These data become the basis for the PROI tool, which uses the data from the 14 programs to estimate ROI. Users are encouraged to expand on this list, update the list, and even use their own state data if available. The list of the most recent data then becomes the baseline tool a program uses to estimate ROI.

Use of the PROI Tool

Use of the tool is best demonstrated by working through a hypothetical example, as shown in Table 2 below. The XYZ program serves individuals in an inner city and is working toward having fathers reunite with their families and play a more active role as fathers. In a given year, the program works with 100 fathers, and their data indicate that 15 of them will play a more active role in their families, to the point that the family can reduce some of the federal and local services used to support them.

The question is, What is the federal program cost of these 100 father-absent households per year? We assume for this example that on average each father has two children in this household. Therefore, column 4 of the chart indicates either 100 to represent the families or 200 to represent the children. This is multiplied by the amount in either column 2 or column 3 to estimate the total cost for the program for these 100 families. By summing the last column, the total cost is derived, which is $5,436,300 per year.

This has not yet accounted for the successes of the program. The XYZ Program is able to document that for fathers who successfully pay their child support promptly, the families no longer need food stamps, and they leave public housing. The savings from this occurring are shown in Table 3.

The estimated total savings per year per household of having these fathers reconnect with their families is $140,385. What if the program could demonstrate that once a father resumes his obligations and becomes involved with his family, he

TABLE 2 Baseline Data for the Program Return on Investment Tool and Example

(1) Program type and name	(2) Cost of services per father-absent household	(3) Cost of services per child or parent	(4) Multiply by number of FAHs, children, or parents	(5) Total federal expenditures
Income support				
Earned Income Tax Credit (EITC)	$1,926		100	$192,600
Temporary Assistance to Needy Families (TANF)	$5,500		100	$550,000
Child Support Enforcement (case per noncustodial parent)		$352	100	$35,200
Supplemental Security Income (SSI)—allotment per child		$6,439	200	$1,287,800
Nutrition				
Food Stamps	$2,643		100	$264,300
School Breakfast—per child		$218	200	$43,600
School Lunch—per child		$272	200	$54,400
Women, Infants, and Children (WIC) Program	$1,887		100	$188,700
Health				
Medicaid—per child		$1,708	200	$341,600
Medicaid—per parent		$2,142	100	$214,200
SCHIP—per single parent		$1,373	100	$137,300
Social services				
Head Start—per child		$7,209	200	$1,441,800
Housing				
Energy Assistance	$484		100	$48,400
Public Housing or Section 8	$6,364		100	$636,400
Total				**$5,436,300**

does so for at least seven years? Then, assuming no inflation, the savings are $982,695 (7 × $140,385). If the program received $400,000 in funding for the year, the return on investment is 246%. If the program can document more savings or a longer time that the father keeps honoring his obligation, then the ROI would increase.

Review of the funding reports and evaluation of several fatherhood programs revealed that they are somewhat proficient at documenting the numbers served and completing service and the participant outcomes that result. By adding dollar values to common outcomes as well as to others discovered pursuant to a focus on finding value, a more comprehensive picture of success and

TABLE 3 Annual Federal Program Savings Generated by the Successful Graduates of the XYZ Program

(1) Program type and name	(2) Cost of services per FAH	(3) Cost of services per child or parent	(4) Multiply by number of successful program graduates, children, or parents	(5) Total federal expenditures saved
Income support				
Child Support Enforcement (case per noncustodial parent)		$352	15	$5,280
Nutrition				
Food Stamps	$2,643		15	$39,645
Housing				
Public Housing or Section 8	$6,364		15	$95,460
Total				**$140,385**

significance is created.

Limitations of the Model and Tool

As noted throughout, the tool captures only the expenses associated with the direct federal burden associated with income support, nutrition, health, social services, and housing. In addition to state and local expenditures, the tool does not capture other federal expenses for which data were not readily available, and, more important, it does not assign a value to the negative developmental effects of fatherlessness on children nor the benefit of breaking the cycle of father-absent households.

Examples of the negative outcomes for children of fatherless families include decreased likelihood of attending college, increased likelihood of having children out of wedlock, a decreased likelihood of marriage, and an increased divorce rate for those who do. While these negative outcomes have primarily emotional and social costs, these long-term outcomes also translate into additional financial costs. For example, studies from *The Hundred Billion Dollar Man Report* have shown the following for children from single-mother households:

- They earn less as adults than children from two-parent families.
- They are more likely to be poor as adults and use government services.
- They are more likely to be incarcerated, which poses a steep cost to federal and state governments.

On the other hand, there are a number of positive effects associated with children raised by two-parent families (i.e., fathers present) that could also be captured to provide further evidence of the PROI associated with outcomes that reunite a father with his family. These measures include increased academic achievement, resulting in higher wages, resulting in more taxes paid back to the government. Once these other related long-term costs are better known, we can add these to the cost and therefore the subsequent savings calculations. This becomes especially important when trying to estimate the PROI for a social service program where there may be no direct cost savings.

Universality of Approach

Readers of this article will want to apply this to programs other than fatherhood. We encourage them to do so, using the data we provided as a base and then expanding that with other data. Assume that you are the director of the ABC Program, which focuses on job training. After going through your 10-week program, 80% of the graduates find a job and retain that job for at least one year. Your program runs four sessions throughout the year, you serve 15 individuals in a session, and you want to know the benefit to your community of the program. In addition to finding a job, graduates no longer need to receive food stamps or participate in the Women, Infants, and Children Program.

If the program runs four sessions per year, with 15 people per session, then the program serves 60 persons per year. The 80 percent success rate translates into 48 successful graduates. The program is in Maryland, where the unemployment benefit averages $200 per person and standard benefits are available for 26 weeks (i.e., $5,200). Table 4 shows the annual cost savings to the community of this job training program.

Thus, the successful graduates of this program save the community $467,043 per year. If the program costs $300,000 per year, then its return on investment would be 156 percent. The key in presenting this example is to show that the tool can be used with many different types of social service programs and can be easily expanded to include different types of costs.

Summary and Considerations for Foundations: Putting PROI in the Proper Perspective

As noted in the description of the origins of the PROI methodology, this tool was developed specifically in response to the needs and challenges faced by frontline human service providers regarding their efforts to plan for the sustainability of their responsible programs beyond the federal funding they were receiving. Although the benefits of the PROI methodology accrue to practitioners and funders, the resources for implementing this approach thus far have been through funders, who then make this training available to the particular group of grantees they are funding for a particular type of program intervention. However, future PROI trainings may well come through various associations of community-based human service programs, as the benefits of this training go beyond the needs of any particular government or foundation funding source.

Among the benefits articulated by those practitioners in response to this training was how the PROI tool furnished a more practical, streamlined process by which they could legitimately ascribe research-based savings in terms of reduced/alleviated public program support costs, both short

TABLE 4 Annual Federal Program Savings Generated by the Successful Graduates of the ABC Job Training Program

(1) Type of savings	(2) Cost of services per household/ person	(4) Number of successful program graduates	(5) Total saved
Income support			
Unemployment Benefits	$5,200	48	$249,600
Nutrition			
Food Stamps	$2,643	48	$126,864
Women, Infants, and Children (WIC) Program	$1,887	48	$90,576
Total			**$467,043**

term (i.e., reduced prison costs from lower recidivism rates) and long term (e.g., developmental benefits associated with growing up in a two-parent family, ultimately linked to improved employment/higher earnings and reduced likelihood of court involvement and/or substance abuse).

Thus far, the biggest challenges found for practitioners are (1) convincing leadership to buy in to this new value-raising approach, which necessitates not only some dedicated time but also a shift in focus from the old standard of fundraising, and (2) applying cost benefits properly. Even on the receipt of training and calculation tools, additional technical assistance is generally required to help practitioners with presenting their findings (e.g., making sure data compare apples to apples).

The PROI tool helps programs/practitioners convey and present their program and client outcomes in the language and terminology of public policy in the same manner it is used by foundations and legislators in planning and justifying particular types of social/human service funding and investment. While historically, as noted, these frontline practitioners have by and large been excluded from "high-level" deliberations, the PROI measures allow them to localize the cost benefits of their programs.

The underlying assumption to PROI, of course, is that a program is actually *achieving* the particular outcomes and results that translate into particular benefits. PROI is not meant to serve as a fundraising "gimmick" whereby programs use the cost–benefit measures to give the illusion of effectiveness if their program is not bringing about the necessary changes and improvements in individual clients, families, and/or communities through its program interventions. Therefore, funders still need to develop effective program oversight and audit functions to verify a program's reported outcomes and impacts.

Although we compare and contrast PROI with other ROI-related evaluation methods, we do not mean to imply that this tool replaces or supplants the role of evaluation and evaluators. In fact, the PROI tool is dependent on the existence of various economic-based (i.e., monetized) social program studies and evaluations as part of the templates for generating cost-benefit calculations. What PROI attempts to do is make legitimate cost-benefit calculations less expensive and thus more accessible for use by smaller human service providers (i.e., faith-based and community organizations) who otherwise could not afford the costs of a formal evaluation.

Foundation staff and program officers will be better able to communicate the collective ROI of grantees within a particular program portfolio to determine whether the funding strategy is yielding benefits.

The other benefit of the PROI tool is how it addresses a main challenge of funders, namely, getting reliable, quality outcomes data reported by its grantees. Once these practitioners are shown the magnitude of successful client outcomes, as expressed in cost-benefit terms, they become more attentive to the data capture process instead of viewing evaluation simply as a compliance issue necessary for continuing to receive program funds. These frontline practitioners essentially gain ownership of their outcomes, which produces value for them not only in the context of making their business case but also as a means for getting feedback on how well their program interventions are working to achieve the program's objectives. The PROI tool is also conducive to the logic modeling process, an approach to planning program services that "begins with the end in mind," first articulating program goals/objectives (i.e., outcomes/impacts) and then working backward to identify intermediate outcomes, program outputs (i.e., services), and inputs (i.e., staffing and budget).

Finally, we believe that funders who encourage and/or fund PROI training for their grantees will be able to reframe the nature of their interaction and dialogue through the use of these cost-benefit measures. The PROI findings can provide a common platform with the grantees, both to recognize successful programs (i.e., those demonstrating a higher PROI) and to raise red flags, either for relating to the performance/effectiveness of particular grantees or for revisiting and perhaps revising the parameters by which a particular social investment strategy was originally designed. Foundation staff and program officers will be better able to communicate the collective ROI of grantees within a particular program portfolio to determine whether the funding strategy is yielding benefits. On preliminary review of the PROI concept, tenured foundation executive Maurice Moore of the Annie E. Casey Foundation expressed favor and has since provided a letter indicating his support.

As we seek to apply PROI under different program settings, we see the measures and the process evolving as we gain a greater knowledge of both different program strategies and the quality and quantity of economics-focused evaluations of particular social and community challenges.

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