

AN INVESTMENT LETTER FOR MINNESOTA PHILANTHROPISTS

January 15, 2006

This first letter of the new year illustrates the positive return to the community of a program that creatively teaches new skills to juvenile offenders at the Hennepin County Home School. Bill and Gail Roddy started a program called "Osiris" in 1997. Their work has reduced the recidivism rate at Hennepin County Home School and brought former residents into the workforce after supplying them with a broad range of advanced computer skills.

The purpose of "An Investment Letter for Minnesota Philanthropists" is to demonstrate how return on investment calculations can be applied to the private and public financial investments we make in our non-profit organizations. The "Osiris Organization" Program analysis requires that assumptions be made about the amount that taxpayer expenses decline from reduced recidivism as well as the gain in tax revenue to the State of Minnesota accruing from the advanced computer skills taught in the program.

Government, taxpayers and philanthropic investors can deliver returns up to and exceeding 400% to the community by investing in this program . The benefit to the county and state are very large in terms of both dollars and quality of life!

WHAT'S THE PROBLEM?

- Over 400 youth offenders, 86% with felony convictions, resided at the Hennepin County Home School in 2004.
- Sixty-three percent had already been in other facilities before coming to HCHS.
- Approximately 70 percent of serious teen offenders have a mental health diagnosis with significant behavioral problems and chemical dependency issues.
- Many private facilities, nonprofits and even hospitals will not accept teens with these types of challenges. Only a few accept girls. HCHS takes on all these issues.
- A standardized assessment of residents in 2004 indicated that 73.5% were thought to be at high risk to re-offend.
- Many of the residents of HCHS are of employment age without the skills and know how needed to enter and remain in today's computer literate society.
- It costs taxpayers between \$70,000 and \$80,000 per year for one youth in residence at HCHS at a cost of \$250 per day for an average stay of 9 months.

HOW DOES “OSIRIS ORGANIZATION” HELP?

- Now in its 8th year “Osiris Organization” in the last two years alone has served 340 youth from HCHS by providing life skills counseling, computer training and employment placement in the community.
- “Osiris Organization” works with about 30% or 133 of the approximately 400 youth that enter and exit HCHS in any given year.
- Of these 133 youth about 80% or about 100 complete the “Osiris Organization” computer, life skills and employment training program. It is estimated that 70% of the program participants successfully transition off probation and do not re-offend.
- Each year about 30 of the youth who complete computer training are provided with a six month adult supervised employment position as youth instructors in the Minneapolis Park and Recreation Board public parks. This follows their exit from HCHS and assists with their reintegration back into the community.
- The cost per youth instructor is \$4,305 for six months requiring a commitment of 20 hours per week for a total cost of about \$130,000 per year.
- **It is estimated that 85% of youth computer instructors successfully transition off probation and do not re-offend as a result of skills acquired and continued support from youth counselors.**
- **The potential for expansion is great. Added funding for more youth instructors could enable Minneapolis Parks and Recreation Board to facilitate “Osiris Organization” building a total of 36 community computer centers in the parks to complement the existing infrastructure of 17 community computer centers.**
- **Expansion to 36 computer centers in the Minneapolis public parks would provide a total of 144 youth with after school employment in their communities.**

Henry Sharpe, age 25, is a U.S. Air Force veteran, a college student and dynamic CEO of Sharpe Solutions, a personal computer installation and trouble shooting business. Sharpe, a former juvenile offender and “Osiris” alumnus recalls advice from a former HCHS counselor, “I’ve seen guys like you before and you need to take a look inside.” Sharpe did and the results speak for themselves.

WHO BENEFITS?

- Twin City neighborhoods gain as “Osiris Organization” graduates reintegrate back into the neighborhood becoming part of “the solution” with their new found social and advanced computer skills.
- Minnesota taxpayers gain as social service and criminal justice system costs are reduced through lower rates of recidivism and as \$8.00 to \$12.50 per hour jobs add to the tax base.
- Minnesota businesses can draw from a larger pool of motivated workers with “high tech skills” and compete more effectively in the world wide economy.

WHAT’S THE RETURN ON INVESTMENT?

On a conservative basis it is estimated that hard core juvenile offenders can cost the state and county \$70,000 per year in counseling, housing, education and other custodial services. With a HCHS recidivism rate that averages about 50% for hard core juvenile offenders the return on investment is high when this rate can be reduced to 30% or in some cases as low as 15%. In addition for each \$1,000 gain in income after completion of “Osiris Organization” six month internship from training the State of Minnesota collects \$55 in taxes and the Internal Revenue Service \$145 in added tax revenues. Social service costs to families with offending juveniles also drop dramatically when former delinquents straighten out their lives.

Hennepin County corrections estimates that the “Osiris Organization” computer, life skills and employment training program has a positive impact on the recidivism rate reducing it by 20 percentage points (or 30% rate) for the 100 youth completing the program. This amounts to an annual savings for taxpayers of \$1,400,000 per year (20 percentage points times 100 youth times \$70,000 in annual savings).

The County also estimates that the 30 youth who go on to complete the six month paid youth instructor internship program have an even greater reduction in recidivism amounting to an additional 15 percentage points (or 15% rate). This provides taxpayers with added savings of \$315,000 per year.

A minimum of 25 youth who complete the six month internship wind up being placed in jobs that pay between \$8.00 and \$12.00 per hour totaling \$142,000 in annual earnings for the group. This equates to added tax revenues of \$7,000 per year for the state of Minnesota and \$18,000 for the USA.

- ***These annual savings to Minnesota taxpayers amount to a minimum of \$1,700,000 per year. “Osiris Organization” has an annual budget of \$320,000 which means that the taxpayer benefits exceed the taxpayer costs by more than five times or a one year return on investment exceeding 400%.***

CALCULATING THE RETURN ON INVESTMENT

Assumptions:

Cost Per Placement at HCHS for 9 Mos. = \$70,000

Average Recidivism Rate = 50%

Recidivism Rate for Osiris HCSC Training Graduates = 30%

Recidivism Rate for Osiris Six Month Paid Teacher Mentoring Program = 15%

Gain from MN. Taxes at \$55/\$1,000 of income increase/year = \$7,800

Gain from USA Taxes at \$145/\$1,000 of income increase/year = \$21,000

<u>Per Year</u>	<u>HCHS Annual Population</u>	<u>Youth Entering Osiris Program</u>	<u>Youth Completing Osiris Program</u>	<u>Youth Completing Paid Teaching Program</u>
<u>No. of Youth</u>	400	133	100	30
<u>Estimated Recidivism Rate</u>	50%	50%	30%	15%
<u>Reduction in Rate of Recidivism</u>	None	None	20 % points	15 additional % points
<u>Savings from Reduction in Recidivism</u>	None	None	\$1,400,000	\$315,000

The state of the art must evolve further if more precise measures of ROI are to benefit Minnesota investors and taxpayers. For example tracking the history of HCSC graduates to determine whether they re-offend and are incarcerated in other counties or states would provide a more accurate measure of the true rate of recidivism. Other variables not easily tracked would include the years of continued employment and wage level gains five and ten years into the future after graduation from HCHS. The assumptions made in the above calculations are thought to be conservative. The returns derived from the basic data appear high enough to warrant significant added investment by government, foundations and philanthropists.

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