

Banyan Community Return on Investment



Banyan is a community development organization rooted in the Phillips neighborhood of Minneapolis that works to transform lives by developing youth, strengthening families, and creating community. In 2018, Banyan celebrates 20 years of community development work. The educational and social outcomes achieved by the youth and adults during these years have economic consequences that materialize in the form of additional earnings, savings to the government, and other benefits for society. To mark the 20 year milestone, Banyan commissioned Wilder Research to measure the economic benefits of its work and assess the return on investing in Banyan's programs.

Banyan's youth and families

The majority of Banyan youth are non-white (95%) - about 58 percent are Hispanic, Chicano, or Latino; 21 percent are Black or African American; 9 percent are Asian; and 8 percent are identified as multi-racial.

The median household income in the area served by Banyan is \$34,892, nearly 50% less than the \$71,097 median income in the Twin Cities. The unemployment rate in the neighborhood is more than twice the Twin Cities rate, 10.4% vs. 4.8%. The proportion of the population in the neighborhood age 25 and older with less than a high school diploma is 34.6%. This rate is five times the Twin Cities rate of 7 percent (Minnesota Compass, 2018).

Banyan youth outcomes

Banyan recognizes that in order for children to thrive and graduate from high school, go to college, and succeed as adults, whole families and the larger community must be connected and engaged. To overcome the socio-economic challenges faced by the community, Banyan provides a range of services for youth and families. Youth programs include after school programs, tutoring, and college preparedness programs.



Banyan programs improve the chances of academic success of youth in the community. These educational achievements result in higher high school graduation rates (100% for participants) that later result in higher incomes, reduced social costs, and additional revenue for the government.

We based our computation of benefits on data from 42

.225Banyan youth who have graduated from high school since 1998 and the 24 Banyan youth currently in high school. Of those high school graduates, 12 have gone on to graduate from college and 23 are currently enrolled in college.

These participating youth spent an average of nine years in Banyan programs, starting as early as kindergarten and going through high school graduation. Many of these youth were supported by Banyan through their college experience as well.

See the accompanying technical report for detailed methods and results.

Outcomes

- Banyan youth are 1.4 times more likely to graduate from high school than other comparable youth in the neighborhood (100% of Banyan youth vs. 70% for youth of color in the neighborhood) (Minnesota Compass, 2018).
- About 46 percent of Banyan’s high school graduates have a cumulative GPA of 3.5 or higher. This achievement makes Banyan’s youth more likely to be accepted at selective higher education institutions.
- Banyan youth are 3 times more likely to graduate from college than youth of color in Minnesota (72% vs. 25%), and 1.6 times more likely to graduate from college than students of any race (45%) (Minnesota Department of Higher Education, 2018).
- The additional lifetime earnings derived from the academic achievement of Banyan youth add up to nearly \$280,000 per youth. Most of this benefit (\$233,693) comes from the expected earnings associated with receiving a bachelor's degree, the remainder comes from graduating from high school or receiving advanced degrees.
- Including benefits accrued by the government and other sectors in society, the total benefits per youth reach approximately \$358,000.¹
- The total aggregate benefit from the educational achievement of the 66 Banyan youth included in the study is estimated at \$4.2 million.

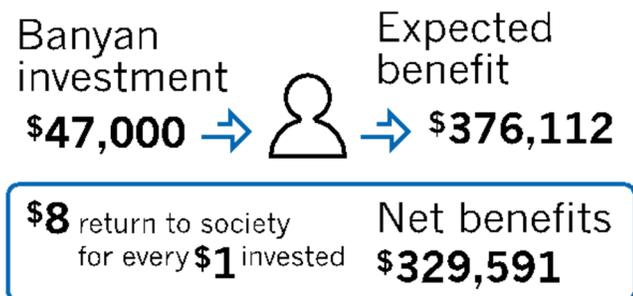
Benefits to participants and society from Banyan’s programs

	Benefits
Increased lifetime after tax earnings from educational achievement (post high school to age 65)	\$279,917
Savings from avoided future crime (incarceration and victim costs)	\$1,548
Savings in health care costs	\$8,712
Increased government revenues from taxes*	\$68,991
Total benefits per participant	\$359,168

* Computed using effective tax rates (income, sales, and property) for state and local taxes (MN Department of Revenue, 2017).

Return on investment per Banyan youth

Banyan invests nearly \$47,000 per youth to provide its services during the 9 years of average participation in the program. Comparing the \$359,168 of expected benefits per youth to this cost, the return to society is \$8 for every dollar invested in each Banyan student, with net benefits of \$329,591.



¹ All future benefits are discounted to present value at a rate of 3 percent.

Comparative investment

To put Banyan’s investment and its returns in perspective, a high-income family in the urban Midwest region spends about \$82,000 on education per child from birth to age 17 (Lino, Kuczynski, Rodriguez, & Schap, 2017). In comparison, low-income families (like Banyan families) invest less than 15 percent of this amount on average, \$12,000. This is a spending gap per child of nearly \$70,200 just in educational expenses.

The Banyan investment of \$47,000 per low-income child effectively eliminates the educational achievement gaps across these groups despite being more than 40 percent smaller than the investment made by high-income families. Furthermore, the \$47,000 investment per child generates a rate of return of 29 percent over the working lifetime of each participating youth.



Future benefits

Banyan is in a five-year growth plan that will bring the total number of youth served to 250 with around 15 participants graduating from high school every year. This expansion will potentially generate \$90 million in benefits to society during the working life of this cohort of 250 participants.

Benefits to Banyan Parents

Banyan also provides services to parents, families, and the local community. These services generate positive outcomes with economic benefits. For instance, parents of young children are more likely to work while their children are at Banyan. Some parents are motivated by Banyan to further their formal education or improve their English skills, increasing their chances of increased earnings. We estimate that the benefits accrued by parents of Banyan youth add up to approximately \$50,000 per parent and total more than \$1 million from all parents served since 1998.

Benefits to parents and society from Banyan parent involvement

	Benefits
Increased lifetime earnings from educational achievement - parents	\$5,959
Increased earnings from increased English proficiency (10 years of future earning)	\$31,924
Increased earnings from child care-like services from Banyan (5 years of future earning)	\$11,991
Total lifetime benefits per parent	\$49,874

Technical notes

Future earnings of youth are based on American Community Survey 5-year estimates – public use microdata from the U.S. Census (2016).

Savings from reduced crime are based on incarceration statistics from the Minnesota Department of Corrections (2018).

Savings in health care expenditures are based on average expenditure by educational level in the Midwest region from the Medical Expenditure Panel Survey (MEPS), U.S. Department of Health and Human Services (2018).

Parents' benefits from availability of child care are based on Matthews (2006) and earnings data from the U.S. Census (2016). Benefits from improved English skills are based on a report by the U.S. Census (2005).

References

Day, J. C., & Shin, H. B. (2005). *How does ability to speak English affect earnings?* Retrieved from U.S. Census Bureau website:
https://www.census.gov/hhes/socdemo/language/data/acs/PAA_2005_AbilityandEarnings.pdf

Lino, M., Kuczynski, K., Rodriguez, N., & Schap, T. (2017). *Expenditures on children by families, 2015* (Miscellaneous Publication No. 1528-2015). Retrieved from U.S. Department of Agriculture, Center for Nutrition Policy and Promotion website:
https://www.cnpp.usda.gov/sites/default/files/crc2015_March2017.pdf

Matthews, H. (2006). *Child care assistance helps families work: A review of the effects of subsidy receipt on employment.* Retrieved from Center for Law and Social Policy website:
<https://www.clasp.org/publications/report/brief/child-care-assistance-helps-families-work-review-effects-subsidy-receipt>

Minnesota Compass. (2018). *Twin Cities region neighborhood profile data: Phillips community.* Retrieved from <http://www.mncompass.org/profiles/communities/minneapolis/phillips>

Minnesota Department of Corrections. (2018). Several reports used retrieved from: <https://mn.gov/doc/data-publications/fact-sheets/>

Minnesota Department of Higher Education. (2018). Retrieved from: <https://www.ohe.state.mn.us/mPg.cfm?pageID=754>

Minnesota Department of Revenue. (2017). *2017 Tax incidence study.* Retrieved from http://www.revenue.state.mn.us/research_stats/research_reports/2017/2017_tax_incidence_study_links.pdf

U.S. Census Bureau. (2016). *American Community Survey 5-year estimates – public use microdata sample, 2012-2016.* Generated using Public Use Microdata Area (PUMA) in the Seven-county Twin Cities Metropolitan Area. Retrieved from <http://factfinder.census.gov>

U.S. Department of Health and Human Services. (2018). *Medical Expenditure Panel Survey (MEPS).* Retrieved from: https://meps.ahrq.gov/mepsweb/data_stats/MEPSnetHC/datasource

**Wilder
Research**
Information. Insight. Impact.

451 Lexington Parkway North
Saint Paul, Minnesota 55104
651-280-2700
www.wilderresearch.org



AMHERST H
WILDER
FOUNDATION
ESTABLISHED 1906
Here for good.

For more information

For more information about this report, contact Jose Diaz at Wilder Research, 651-280-2738.

Author: Jose Diaz

April 2018