

# Valuation on Investment Tool

A Tool for CNCS Grantees and Sponsors

## Goal

- Provide an overview of the VOI Tool

## Agenda

- What is Return on Investment vs. Valuation on Investment?
- What is the CNCS VOI Tool?
- Sample Calculation
- Caveats

# What is Return on Investment?

- A method to measure whether something is a “good” investment
- Compare the *costs* (C) of making an investment with the *value* (V) of making an investment
- Return on Investment =  $\frac{\text{Net Value}}{\text{Cost}} = \frac{V - C}{C}$

# What is Valuation on Investment?

- VOI uses the same ROI formula, *but it does not capture the full value* of the national service program.
- This tool is limited to calculating the \$ value of services provided by National Service Participants, plus other non-NSP resources used by your program.
- CNCS encourages grantees and sponsors to seek experts in your service areas to evaluate program effectiveness. This is necessary to estimate the full social value of your programs and to supplement the supply side value produced by the VOI Tool.

# What is the CNCS VOI Tool?

- An Excel spreadsheet for distribution to grantees and sponsors
- Grantee or sponsor enters data about the program(s)
- The spreadsheet computes program *cost* (C), *program value* (V), and program  $VOI = \frac{V-C}{C}$
- Tool is intended for use by grantees and sponsors. Programs are not required to report findings to CNCS.
- The tool is currently at Phase I of development. Additional refinements may be added in the future.

# What is Program Cost (C)?

- Definition:

\$ value of all of the resources used to run the program

- Example:

(Fictitious) CNCS Supported Education Program

During the 2011 Fiscal Year, CNCS provided a grant of **\$135,000**. Local school districts provided cash matches totaling **\$100,000**. A local philanthropy covered part of the salary of a program administrator, at a cost of **\$5,000**.

$$\text{Cost (C)} = \$135\text{K} + \$100\text{K} + \$5\text{K} = \$240,000$$

# What is Program Value (V)?

- Definition:  
\$ value of the goods and services produced by the program
- This is really hard to measure!
- For this tool, we measure value by looking at what it would take to **buy** the program's goods and services **at market prices**
- This is sometimes called the “supply-side value” because value is calculated by estimating the market cost of supplying the program

# What is Program Value (V)?

## Example:

(Fictitious) CNCS Supported Education Program

During the 2011 Fiscal Year, members completed **20,000** National Service Participant (NSP) hours in the service area of School Preparedness. The value of the materials (books, paper goods, snacks) used in the project was **\$3,000**.

Value (V) = Hours + \$ of Materials = ???

# What is Program Value (V)?

## Example:

(Fictitious) CNCS Supported Education Program

- How do we assign value to NSP Hours?
- What would an alternative provider need to pay to supply these hours?

# What is Program Value (V)?

## Example:

What would an alternative provider need to pay to supply these hours?

- Exclude non-service hours (estimate varies by program)
  - Productivity Adjustment (default of 85%, can vary by program)
  - Wages (estimate varies by service category)
  - Fringe Benefits (30.7% for annual wage data, 43.4% for hourly wage data)
  - Office Space
  - Supervisory Staff
- } (21% of wages across all programs)

# Adjusted Hours

- (Fictitious) CNCS Supported Education Program
- If 10% of hours are for non-service activities,  
20,000 Hours → 18,000 Hours
- To adjust for relative productivity, count 85%  
of hours  
18,000 Hours → 15,300 Hours

# From Hours to Value

- Using the service area, attach a wage  
15,300 Hours in School Preparedness  
@ \$9.27 / Hour → \$141,831
- Add fringe @43.4%  
 $\$141,831 * 1.434 = \$203,386$
- Add overhead @ 21%  
 $\$203,386 * 1.21 = \$246,097$

# What is Program Value (V)?

## Example:

(Fictitious) CNCS Supported Education Program

- 20,000 Hours in School Preparedness  
    → \$246K of Value
- \$3K in materials → \$3K of Value
- Value = \$3K + \$246K = \$249K

# Example Valuation on Investment

- Using cost and value to compute the VOI:
  - Example Cost = \$240K
  - Example Value = \$249K
  - Example VOI =  $\frac{\text{Net Value}}{\text{Cost}} = \frac{V-C}{C} = 4\%$
- For every \$1.00 invested, the investment value is \$1.04, not including the added social value.

# Some Important Limitations

- We exclude impacts on service participants
- We do not measure program “output”
- Supply-Side Value is different from Demand-Side Value
  - We assume that the value of school preparedness work is the cost hiring replacement mentors/tutors
  - Without the program, there might not be any tutoring