

# ECONOMIC IMPACTS OF THE FIRST 5 PLACER CHILDREN & FAMILIES COMMISSION'S FUNDED PROGRAMS

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*Prepared for*

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## **Economic Impacts of the First 5 Placer Children & Families Commission's Funded Programs**

### **Introduction**

The First 5 Placer Children & Families Commission is an independent self-governing entity whose members are appointed by the County Board of Supervisors but serve autonomously. The entity is responsible for planning for the use of and allocating Proposition 10 funds, which are generated through a tax on tobacco products and are intended to support local systems of early childhood development. First 5 Placer focuses its Proposition 10 funds on supplementing a network of service and supporting providers throughout the County. In the 2008-2009 Fiscal Year, over \$1.9 million of First 5 funds are aimed at 22 separate programs ranging from individual and family services and educational support activities to local education efforts and recreation activities. Another \$1.4 million is allocated to the Commission's operational activities including administration, community outreach and engagement, evaluation, and its children's health initiative. It is often recognized that these funded activities provide a valuable benefit to Placer County's children and families. However, the fact that the First 5 Placer funded activities and operations also make a contribution to the local economy through the contracts it engages in and the jobs it supports is not typically emphasized.

The funds allocated by the Commission to Placer County agencies and money used for internal programs and operations certainly provide a direct contribution to the local economy. The economic impacts, however, do not end with these direct effects—the organization also generates a ripple effect in the economy as a result of linkages that exist between the funded activities and First 5 operations, suppliers of goods and services (indirect effect), and personnel spending (induced effect). This ripple effect spreads throughout Placer County and beyond. In order to develop a greater understanding of First 5 Placer's economic contributions to Placer County, the organization commissioned the Sacramento Regional Research Institute (SRRI), an economic research and consulting group affiliated with the Sacramento Area Commerce and Trade Organization (SACTO), to conduct a high-level economic impact analysis. To measure the full range of economic impacts associated with the funded activities, SRRI utilized the IMPLAN input-output model (see the Technical Notes section at the end of this report for a discussion of the economic impact methodology, including the effects and variables measured).

**FIRST 5 PLACER ECONOMIC IMPACTS**

**Economic Impacts**

The table below shows that, overall, the First 5 Placer funded activities and operations contribute close to \$4.6 million of output and over 85 jobs to the County’s economy on an annual basis through direct, indirect, and induced activity. These total economic impacts are a result of the following three effects: 1) First 5 funding directly provides more than \$3.3 million of output and 74 jobs, 2) the funded activities indirectly support around \$256,000 of output and approximately 2 jobs through the demand on linked suppliers of goods and services, and 3) consumption activities of those employed directly and indirectly through the First 5 funding generates an induced impact of over \$987,000 and almost 9 jobs. The multiplier effect shows that, on average, for every dollar of output or employee supported by First 5 Placer, the County’s economy gains an additional 40 cents of output or 0.2 jobs, respectively.

**TOTAL ECONOMIC IMPACTS**

<i>Impact</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Output	\$3,328,451	\$255,716	\$987,331	\$4,571,498
Employment	74.0	2.2	8.9	85.1
Value Added	\$2,882,321	\$148,222	\$627,545	\$3,658,088
Employee Compensation	\$2,576,345	\$69,664	\$272,937	\$2,918,946

Sacramento Regional Research Institute, January 2009

Data Source: IMPLAN, 2006 coefficients based on information from First 5 Placer and SRRRI analysis

Moreover, First 5 Placer’s contracts and operations generate almost \$3.7 million in total added value, reflecting the amount of output produced over and above the cost of inputs (including direct, indirect, and induced impacts). Placer County also sees a total benefit of more than \$2.9 million in employee compensation (including salary and benefits) resulting from direct, indirect, and induced impacts—this equates to about \$34,000 per employee and is linked to spending, investment, and savings patterns.

The table on the following page shows that the Government; Health & Social Services; and Retail Trade sectors benefit the most from the total output impacts produced through First 5 funded activities and operations. Combined, these three sectors account for close to 80 percent of the total output impacts. The largest indirect output gains are generated in the Real Estate & Rental; Administrative & Waste Services; and Professional, Scientific, & Technical Services sectors as a result of their role as linked and service-providing sectors to the funded activities. In addition, the Government; Health & Social Services; and Retail Trade sectors experience the largest induced impacts, demonstrating the demand for goods and services from these sectors that is generated by spending activity from the direct and indirect sector employees.

*Direct—First 5 funding • Indirect—linked suppliers of goods and services • Induced—direct and indirect employee consumption*

## FIRST 5 PLACER ECONOMIC IMPACTS

### MAJOR SECTOR OUTPUT IMPACTS

<i>Industry</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Government	\$2,199,920	\$5,545	\$185,192	\$2,390,657
Health & Social Services	\$924,153	\$565	\$156,870	\$1,081,588
Retail Trade	\$0	\$5,696	\$155,149	\$160,845
Finance & Insurance	\$0	\$25,192	\$115,884	\$141,076
Educational Services	\$114,378	\$5,943	\$12,772	\$133,093
Real Estate & Rental	\$0	\$63,383	\$59,254	\$122,637
Arts, Entertainment & Recreation	\$90,000	\$1,051	\$15,519	\$106,570
Accommodation & Food Services	\$0	\$6,553	\$70,501	\$77,054
Professional, Scientific & Technical Services	\$0	\$33,195	\$36,281	\$69,476
Administrative & Waste Services	\$0	\$36,837	\$17,490	\$54,327
Information	\$0	\$25,473	\$27,769	\$53,242
Other Services	\$0	\$4,277	\$44,656	\$48,933
Manufacturing	\$0	\$7,826	\$26,537	\$34,363
Wholesale Trade	\$0	\$8,206	\$23,282	\$31,488
Transportation & Warehousing	\$0	\$9,131	\$14,323	\$23,454
Utilities	\$0	\$2,624	\$12,257	\$14,881
Construction	\$0	\$7,850	\$6,597	\$14,447
Management of Companies	\$0	\$5,934	\$5,148	\$11,082
Agriculture, Forestry, Fishing & Hunting	\$0	\$182	\$1,286	\$1,468
Mining	\$0	\$253	\$564	\$817
<i>Total</i>	<i>\$3,328,451</i>	<i>\$255,716</i>	<i>\$987,331</i>	<i>\$4,571,498</i>

Sacramento Regional Research Institute, January 2009

Data Source: IMPLAN, 2006 coefficients based on information from First 5 Placer and SRRI analysis

The Health & Social Services; Government; and Educational Services sectors capture nearly 88 percent of Placer County's total employment impacts resulting from First 5 Placer's contracts and administration, as illustrated in the table on the next page. Similar to the output impacts, in terms of employment, the Administrative & Waste Services; Real Estate & Rental; and Professional, Scientific, & Technical Services sectors see the greatest indirect impacts because of their close linkages to the funded activities. Additionally, the Retail Trade; Health & Social Services; and Accommodation & Food Services sectors experience the most notable induced employment benefits due to the direct and indirect employees' consumption activities.

*Direct—First 5 funding • Indirect—linked suppliers of goods and services • Induced—direct and indirect employee consumption*

## FIRST 5 PLACER ECONOMIC IMPACTS

### MAJOR SECTOR EMPLOYMENT IMPACTS

<i>Industry</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Health & Social Services	36	0	1.9	37.9
Government	33	0	0.1	33.1
Educational Services	3	0.2	0.3	3.5
Retail Trade	0	0.1	2.3	2.4
Arts, Entertainment & Recreation	2	0	0.3	2.3
Accommodation & Food Services	0	0.1	1.3	1.4
Administrative & Waste Services	0	0.7	0.3	1
Other Services	0	0.1	0.8	0.9
Finance & Insurance	0	0.1	0.5	0.6
Real Estate & Rental	0	0.3	0.3	0.6
Professional, Scientific & Technical Services	0	0.3	0.3	0.6
Transportation & Warehousing	0	0.1	0.1	0.2
Wholesale Trade	0	0	0.1	0.1
Information	0	0.1	0.1	0.2
Construction	0	0.1	0.1	0.2
Manufacturing	0	0	0.1	0.1
<i>Total</i>	<i>74.0</i>	<i>2.2</i>	<i>8.9</i>	<i>85.1</i>

Sacramento Regional Research Institute, January 2009

Data Source: IMPLAN, 2006 coefficients based on information from First 5 Placer and SRRI analysis

*Direct—First 5 funding • Indirect—linked suppliers of goods and services • Induced—direct and indirect employee consumption*

## Technical Notes

The measurement of the economic impacts in this analysis was performed using an input-output model called IMPLAN, developed at the University of Minnesota specifically for use in regional analysis and currently distributed and supported by the Minnesota IMPLAN Group, Inc. This model is widely used for economic and fiscal analysis to quantify the full range of economic impacts. Input-output models, including IMPLAN, evaluate the effects of industries on each other based on the premise that industries use the outputs of other industries as inputs. Most typical measures of economic activity examine only the total output or employment of an industry, or the amount of final consumption demand provided by a given industry. The input-output model provides a much more comprehensive view of the inter-related economic impacts. For example, First 5 Placer creates *direct benefits* in the economy through its expenditures on payroll and goods and services to support its operations as well as similar activities in funded agencies. Its impact on the economy is greater than these direct impacts, however—linked suppliers of the First 5 operations and funded activities create *indirect benefits* through their own purchases of goods and services as well as through hiring employees. Employees supported by both First 5 funding (direct employees) and the supplier businesses (indirect employees) make purchases from other establishments, such as retail outlets, medical facilities, and banks, which create *induced benefits* in the economy.

The full range of economic impacts that result from the First 5 Placer funding includes direct, indirect, and induced benefits:

- *Direct Benefits* consist of economic activity related exclusively to the funded activities and internal Commission operations. This includes expenditures made by the organization and funded agencies and the related employees who work directly for the organization and contract programs.
- *Indirect Benefits* define the creation of additional economic activity that results from linked firms, suppliers of goods and services, and provision of operating inputs.
- *Induced Benefits* measure the consumption expenditures of direct and indirect sector employees. Examples of induced benefits include employees' expenditures on items such as retail purchases, housing, medical services, banking, and insurance.

In this analysis, the total direct, indirect, and induced benefits are presented in four ways:

- *Employment* demonstrates the number of jobs generated on an annual basis.
- *Output* accounts for total revenues including all sources of income or the value of production generated by an industry for a given time period. This is the best overall measure of business and economic activity because it is the measure most firms use to determine current activity levels.
- *Value Added* reflects the new value created by the industry, net of costs of inputs, and is approximately the wages, profits, and return to capital. Value Added

## FIRST 5 PLACER ECONOMIC IMPACTS

consists of four components—employee compensation, proprietor income, other property income, and indirect business tax.

- *Employee Compensation* is a sub-set of Value Added and includes wages, salaries, benefits, and all other employer contributions. This measure shows how the employment levels convert to financial and fiscal potential.

Additionally, the input-output model is used to quantify the multiplier effect that occurs when new employment or output is added in Placer County. This numerical value illustrates the effect generated when new employment or output is added in one sector, but creates additional jobs or output in other sectors which supply goods and services (indirect impact) and consumer services to employees (induced impact). For instance, the First 5 Placer operations create direct employment in addition to demand for goods and services such as legal services from a local company. This supplier demand will generate an indirect benefit of employment at the law firm, which will ultimately create induced benefits of First 5 and law firm employees making purchases of items such as clothing, food, and insurance in the local economy.

SRRI utilized information provided directly by the First 5 Placer Children & Families Commission to calibrate the models and serve as direct inputs. The Placer County model was adjusted to reflect the provided funding and employment levels for specific activities as well as estimated worker commuting patterns.

## ABOUT SRRI

The Sacramento Regional Research Institute (SRRI), a joint venture of the Sacramento Area Commerce and Trade Organization (SACTO) and California State University, Sacramento (Sacramento State), provides a full range of objective economic and demographic research services to businesses, government entities, educational institutions and non-profit organizations.

The experienced staff at SRRI possesses extensive knowledge of economic and demographic research and urban planning. Every project is completed on time, within budget and in accordance with the highest quality standards.

### TESTIMONIALS

The County's Economic Development Department has benefited immensely from the various studies SRRI has completed for us. Not only have their work products provided valuable information that we use to market the County, but we have seen tangible results by acting on specific recommendations from their reports.

*- David Snyder, Director  
Placer County Office of Economic Development*

SRRI helped us gain an understanding of our region's economic potential and how to capitalize on it. They helped us develop a vision and a plan to enhance our prosperity and move our economic development efforts forward.

*- Robert Miller, Senior Vice President  
Folsom Economic Development Corporation*

After working with SRRI, we now have a clearer understanding of our future economy, the demands for community college programs, and how to provide the most benefit to our students and the business community.

*- Walter DiMantova, Director  
Contract Education and Economic Development  
Los Rios Community College District*

## INFORMATION



### SERVICES

#### **Economic and Demographic Profiles:**

A comprehensive collection of the latest and most reliable data enhances local business attraction and marketing efforts.

**SRRI produces** economic and demographic profiles containing data and analysis in areas such as population, housing, income, employment, labor force, wages, taxable sales, transportation, quality of life and utilities.

#### **Site Selection Information and Research:**

Companies and site selection consultants rely on accurate and comparable information in evaluating areas for expansion or relocation.

**SRRI gathers** and analyzes economic and demographic data to help economic development professionals provide companies and consultants with an accurate and comprehensive view of an area.

# EVALUATION

**Economic and Tax Impact Studies:** The creation of jobs typically has a ripple effect throughout a region where additional jobs are generated through relationships with linked firms and purchases of goods and services.

***SRRI provides*** a complete picture of employment, income and consumption expenditures throughout the region's economy and determines their economic effects. Using IMPLAN modeling, SRRI also creates an estimate of the generation of federal, state and local taxes.

**Industry Studies:** An understanding of the economic trends and qualities necessary to foster growth and development is critical for business attraction, expansion and retention efforts aimed at a specific industry.

***SRRI analyzes*** employment and wage data for the industry, economic impacts, locational advantages, contributions of major employers and responses from an employer survey.

**Workforce Studies:** An important part of understanding a local economy is evaluating the characteristics of the workforce.

***SRRI provides*** information on the mix of jobs, training, education and skills and analyzes the ability of the workforce to fill the existing and potential future employment needs. SRRI also evaluates industry staffing patterns and workforce competitiveness.

# CONSULTATION

**Economic Development Strategies:** Long-term economic development planning must consider both the current local environment as well as a vision for future growth and development.

***SRRI provides*** analysis on which to base long-term business decisions by identifying the economic potential of a local area, assessing the existing attributes and advantages, evaluating economic and demographic trends and generating economic development strategies.

**Market and Feasibility Analyses:** Determining the market acceptance or feasibility of a specific project is essential to make informed business decisions and ensure success.

***SRRI produces*** market and feasibility studies to determine if the market conditions are suitable for development, short-and long-term project sustainability and the best use of a location or site.

## **Policy Analysis and Program Evaluation**

**Support:** In some cases, policy analysis and program evaluation activities require an added level of economic or technical support.

***SRRI offers*** support services in assessing the economic components of specific policy alternatives, developing research processes and measurement techniques and gathering and analyzing data to evaluate program effectiveness.

## **CLIENTS**

Public and private clients from inside and outside the Sacramento Region look to SRRI's unique economic and demographic research expertise to help them work smarter and more competitively in realizing their objectives.

California Building Industry Association  
California Chamber of Commerce  
City of Sacramento  
Folsom Economic Development Corporation  
KT Communities  
Los Rios Community College District

Partnership for Prosperity  
Placer County  
Sacramento Employment and Training Agency  
Teichert Aggregates  
The Diepenbrock Law Firm  
Westfield Corporation