



Economic Impact Analysis

2002-2007

September 2008

Prepared by



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Table of Contents

I. Executive Summary	2
II. Introduction	4
III. Economic Impact Analysis	5
✓ Impact of Jobs Created	5
✓ Impact of Jobs Retained	6
✓ Impact of Capital Investment	8
IV. Earning's Impact	9
✓ Local Industries	9
✓ Sales Tax Revenue	11
V. Appendix 1: Methodology	12
VI. Appendix 2: About NCDS/Economic Strategy Center	13

I. Executive Summary

The on-going economic development efforts of the Elkhorn Valley Economic Development Council (the Council) in cooperation with other regional and state economic development organizations have changed the landscape of the region's economy. With targeted business growth as the foundation of the region's economic vitality, business expansion and attraction is the driving force behind economic diversification and growth.

The Elkhorn Valley Economic Development Council is a collaborative public-private partnership formed to promote new economic development opportunities and to support existing small businesses in the Antelope, Madison, Pierce and Stanton four-county region. In 2003, the Council launched a five-year economic development program targeting business recruitment and expansion in an effort to grow and diversify the regional economy.

This analysis presents the economic impact of new and expanding businesses with the support of the Council, outlining employment and earnings growth during the 2002-2007 period. These impacts are measured in terms of jobs, income and output (business sales) and are calculated through a customized input-output economic model reflecting Norfolk area's economy.

Job creation activities generate income as well as local and state tax revenue. However, the economic impact of job growth extends far beyond the direct infusion of jobs. A key annual benefit will be derived through the purchase of goods and services from *local and state suppliers*.

Various service industries that supply goods and services to primary companies will have an impact as well. This impact is shown as *the indirect impact* of the new jobs. In addition, *employee spending* stimulates additional growth for businesses not directly tied to cluster industries. This portion is captured in *the induced impact*.

The new and expanding businesses' contributions to the quality of life in Norfolk go far beyond the jobs they directly create—important as those are. Each job indirectly creates 0.91 additional jobs in supplier firms, including companies that sell goods or services to jobholders and their families.

The Council's efforts produced significant results despite the slow national and regional economic growth over the past several months.

- The Council played a key role in the **attraction and expansion of eleven companies** and **retention of four companies**, generating approximately **\$130.4 million of new capital investment**.
- The Council's economic development efforts helped create **312 new direct jobs** that generated **\$11.2 million in direct earnings** for the region's citizens.

OVERALL, THE COUNCIL'S JOB CREATION ACTIVITIES IN DURING THE 2002-2007 PERIOD GENERATED A TOTAL ECONOMIC IMPACT OF:

- **596 TOTAL JOBS (DIRECT, INDIRECT & INDUCED)**
- **EARNINGS THAT TOTALED \$19.1 MILLION**
- **TOTAL OUTPUT OF \$135.3 MILLION**
- **CAPITAL INVESTMENT OF \$130.4 MILLION**

The economic impact extends far beyond the direct infusions of jobs and capital investment.

- The new jobs multiplied to an additional **284 indirect and induced jobs** with **total payroll of \$7.9 million**.
- The **total economic** output associated with the Council's economic activities is more than **\$135.3 million**. This total impact is the result of an economic multiplier that stems from the companies' operations and capital expenditures.

OVERALL, THE COUNCIL'S JOB RETENTION ACTIVITIES DURING THE 2002-2007 PERIOD GENERATED A TOTAL ECONOMIC IMPACT OF:




- **1,139 TOTAL JOBS (DIRECT, INDIRECT & INDUCED)**
- **EARNINGS THAT TOTALED \$32 MILLION**
- **TOTAL OUTPUT OF \$219.2 MILLION**

Retaining jobs is just as important as creating jobs, as existing companies pave the way for future expansion.

- The Council's economic development efforts helped **retain 594 direct jobs** and **\$16.8 million in earnings**.
- The retained jobs are associated with retaining an additional **545 indirect and induced jobs** and **\$15.2 million in additional earnings**.

KEY PERFORMANCE METRICS

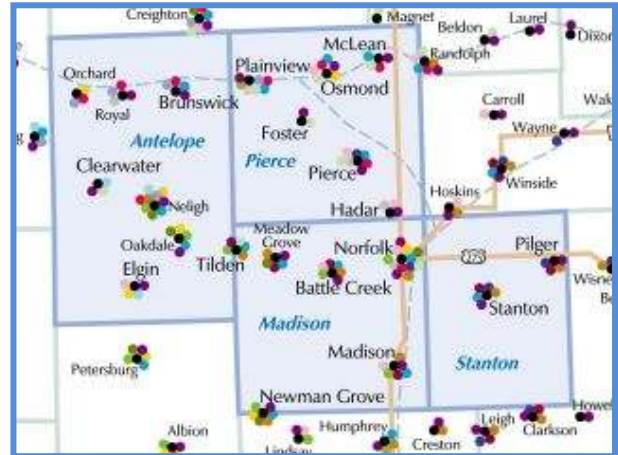
Analysis shows that the Council's economic development achievements generated a high ripple effect in the region's economy.

Each Direct Job Created		an additional 0.91 jobs
Each Direct Job Retained		an additional 0.92 jobs
Every Payroll Dollar Earned		an additional \$.71 in earnings

II. Introduction

The Elkhorn Valley Economic Development Council has assisted in the attraction, expansion and retention of many companies from industry sectors including *manufacturing*, *food processing*, and *computer services*. The continuing growth of these industry clusters has the potential to create new high-wage jobs, generate additional tax revenue for the local public sector and boost the local economy.

This analysis quantifies the economic impact generated by the new and expanding businesses assisted by the Council, including the economic impact of *employment* and *earnings*, as well as the economic impact created as a result of the company's purchases of goods and services from other *local suppliers (output)*. Its purpose is to provide investors with objective and unbiased information on the performance of their investment in the Council. More specifically, this analysis focuses on key performance measurements and outcomes, including:



- ✓ The impact of new jobs created during the 2002-2007 period.
- ✓ Earnings generated from new jobs.
- ✓ Output/business activity created and retained.
- ✓ The indirect economic effects attributable to the Council' attraction, expansion and retention activities.

The impact analysis determines the *true return that can be attributed to a program or organization* by analyzing the impact of each company assisted by the economic development organization.

The impact of new jobs is quantified using IMPLAN, a well-established, input-output economic model. The model is customized to reflect Norfolk's economy (See Appendix 1 for methodology and limitations).

Project Types

Each company assisted in an attraction/expansion decision by the Council during the 2002-2007 period is included in the analysis. The complete list of assistances provided by the Council for this time period encompasses 15 "projects wins" representing 12 different companies. Of the total:

- ✓ 11 were attractions and expansions
- ✓ 4 retentions

III. The Economic Impact of Jobs Created and Retained

The economic impact analysis quantifies the extent to which the Council’s efforts stimulate local economic growth by generating employment, income and business activity. New jobs play a significant role in boosting the local economy as each new job ripples through the local economy generating additional jobs. The impact of new and expanding companies on the region’s economy is significant as these companies generate high-paying, skill-based jobs.

i. Economic Impact of New Jobs

During the 2002-2007, the Council assisted in the **attraction and expansion of eleven companies** that created 312 new direct jobs and generated direct earnings of \$11.2 million. Table 1 shows a list of companies assisted by the Council during this period.

The economic impact of new jobs reaches far beyond the companies and industries that created these jobs. Various service industries that supply goods and services to these companies will have an impact as well. In addition, the economic activity generated via the induced impact (household expenditures) will have the largest impact on sectors in which firms sell directly to consumers. In fact, **virtually all sectors of the local economy are impacted at some level by the Council’s job creation activities.**

Table 1. Companies assisted by the Council (2002-2007)

No.	Company	Type of Opportunity
1	Nucor Detailing Center	Attraction
2	Protient	Expansion
3	Nebraska Publishing	Attraction
4	Covidien	Expansion
5	Louis Dreyfus (ethanol plant)	Attraction
6	Sterling Computer	Attraction
7	King Steel	Attraction
8	Mobile Mix Concrete	Attraction
9	Madison Foods	Expansion
10	Roll-Tite	Attraction
11	MP Global	Expansion

Job growth has an effect in two other key aspects of a local economy: *earnings* and *output*. These total economic impacts are displayed in Tables 2 through 4. Each table shows the direct and combined indirect and induced effects that make up the total impact. The total impact—summing the direct, indirect, and induced effects—accounts for all economic activity that stems from the job growth in the Norfolk area.

Table 2 reveals that the Council's efforts supported the creation of **596** total new jobs in the Norfolk region during the 2002-2007 period. As shown, 312 direct jobs supported 284 additional indirect and induced jobs in other sectors throughout the region. This total job impact yields a multiplier of 1.91. That is, *each direct job in cluster industries supports an additional 0.91 jobs in other sectors throughout the region.*

Job Impact	Jobs
Direct Jobs	312
Indirect and Induced Jobs	284
Total Job Impact	596
Total Job Multiplier	1.91

The most tangible and widespread benefit to the region comes from the potential for increased earnings. Table 3 shows that the new jobs generated approximately **\$19.1 million in total personal income/ earnings** for the region's residents during the 2002-2007 period. Earnings generated from direct jobs account for **\$11.2 million**, while the indirect and induced impact totaled **\$7.9 million**.

Earnings Impact	Earnings
Direct Earnings	\$11,159,013
Indirect and Induced Earnings	\$7,916,949
Total Earnings Impact	\$19,075,962
Total Earnings Multiplier	1.71

Economic output is a broader measure than income, measuring the overall value of economic activities of the new and expanding businesses. The model yields a total economic output of approximately **\$135.3 million**. The direct output accounted for approximately **\$105.3 million**, and indirect and induced impact totaled **\$30 million**.

Output Impact	Output
Direct Output	\$105,333,944
Indirect and Induced Output	\$29,954,267
Total Output Impact	\$135,288,211
Total Output Multiplier	1.29

ii. Impact of Jobs Retained

The Council's retention activities resulted in keeping **594 direct jobs** and **\$16.8 million in direct earnings** within the region's economy. It is reasonable to assume that these jobs would most likely have been lost without the Council's efforts. The extent of their indirect effects on supplier businesses and induced effects on consumer-serving businesses is less clear. If we assume that all of the business activity associated with indirect (supplier) and induced (consumer) sales would indeed have

disappeared, then it would be reasonable to add indirect and induced effects associated with the retained jobs.

Table 5 shows a list of companies assisted by the Council during the 2002-2007 period.

Table 5. Retained Companies (2002 - 2007)

No.	Company	Type of Opportunity
1	MP Global	Retention
2	U. S. Green Fiber	Retention
3	Protient	Retention
4	Covidien	Retention

Table 6 shows that the Council's retention efforts resulted in the **retention of 1,139 total jobs** in the region during the 2002-2007 period. Of these, 594 were direct jobs. An additional 545 indirect and induced jobs were saved as a ripple effect of the direct retained jobs.

Job Impact	Jobs
Direct Jobs	594
Indirect and Induced Jobs	545
Total Job Impact	1,139
Total Job Multiplier	1.92

Job retention activities have an impact on earned income. Based on the number and type of jobs retained, it is estimated that the Council's retention activities are associated with retaining approximately **\$32 million in total earnings**. Table 7 presents a breakdown of direct, indirect and induced earnings.

Earnings Impact	Earnings
Direct Earnings	\$16,864,600
Indirect and Induced Earnings	\$15,150,472
Total Earnings Impact	\$32,015,072
Total Earnings Multiplier	1.90

The total output (business sales) retained in the region is estimated at **\$219.2 million**. The greater portion—\$158.1 million—accounts for the direct impact and the remainder of \$61.1 million accounts for the indirect and induced impact.

Output Impact	Output
Direct Output	\$158,108,640
Indirect and Induced Output	\$61,114,151
Total Output Impact	\$219,222,791
Total Output Multiplier	1.38

iii. *Capital Investment*

Capital investment plays a crucial role in fueling growth and economic development by generating employment and income as well as tax revenue for the local and state governments.

The Council's activities helped **generate approximately \$130.4 million** of capital investment during the 2002-2007 period. As the new companies purchased materials, supplies and services from local businesses, the suppliers' ripple effect multiplied through the region's economy and created additional jobs and income. Based on the region's economic linkages, the generated capital investment:

✓ Created an additional **1,206 total jobs:**

- Direct – 706
- Indirect – 267
- Induced – 233

✓ Generated local earnings of **\$37,887,425:**

- Direct - \$24,768,616
- Indirect - \$7,496,543
- Induced – \$5,622,266

**CAPITAL
EXPENDITURES
SUPPORTED THE
CREATION OF
1,206 JOBS AND
\$37.9 MILLION
IN EARNINGS**

Capital investment is estimated to have a **significant fiscal impact accrued via property taxes**, but there is not enough information at this time to make the appropriate assumptions to calculate the magnitude of these impacts. Incentives and other multi-year deals made between new/expanding companies and cities/counties play an important role in the tax revenue estimation. Accurate information is needed in order to estimate the fiscal impact of capital investment.

IV. Earnings' Impact

i. Local Industries

The earnings' impact displays the impact of the total generated payroll—**\$19.1 million**—generated by the **312** jobs directly impacted by the activities of the Council plus the additional **284** indirect and induced jobs created as a ripple effect of the direct jobs (total of **596** jobs).

A portion of total earnings—**\$14.8 million**—is used for personal consumption expenditures. Table 10 shows personal consumption expenditures dispersed following a consumption pattern consistent with the Midwest region based on the Consumer Expenditure Survey conducted by the Bureau of Labor Statistics.

Table 9. Expenditure Distribution - \$14,755,257

CATEGORIES	AMOUNT	PERCENT	
FOOD	\$1,888,673	12.8%	Of Expenditures
Food at Home	\$1,068,989	56.6%	Of Food
Food Away from Home	\$819,684	43.4%	Of Food
ALCOHOLIC BEVERAGES	\$177,063	1.2%	Of Expenditures
HOUSING	\$4,795,458	32.5%	Of Expenditures
Shelter	\$2,690,252	56.1%	Of Housing
Owned Dwellings	\$1,920,840	71.4%	Of Shelter
Mortgage Interest and Charges	\$1,018,045	53.0%	Owned Dwellings
Property Taxes	\$558,964	29.1%	Owned Dwellings
Maintenance, Repair, Insurance	\$343,830	17.9%	Owned Dwellings
Rented Dwellings	\$591,855	22.0%	Of Shelter
Other Lodging	\$177,557	6.6%	Of Shelter
Utilities, Fuels and Public Services	\$1,074,183	22.4%	Of Housing
Natural Gas	\$253,507	23.6%	Of Utilities
Electricity	\$345,887	32.2%	Of Utilities
Fuel Oil and Other Fuels	\$35,448	3.3%	Of Utilities
Telephone Services	\$326,552	30.4%	Of Utilities
Water and Other Public Services	\$112,789	10.5%	Of Utilities
Household Operations	\$302,114	6.3%	Of Housing
Housekeeping Supplies	\$196,614	4.1%	Of Housing
Household Furnishings and Equipment	\$532,296	11.1%	Of Housing
APPAREL	\$560,700	3.8%	Of Expenditures
TRANSPORTATION	\$2,449,373	16.6%	Of Expenditures
Vehicle Purchases	\$891,572	36.4%	Of Transportation
Cars and Trucks, New	\$429,738	48.2%	Of Vehicle Purchase
Cars and Trucks, Used	\$446,677	50.1%	Of Vehicle Purchase
Other Vehicles	\$15,157	1.7%	Of Vehicle Purchase
Gasoline and Motor Oil	\$700,521	28.6%	Of Transportation
Other Vehicle Expenses	\$727,464	29.7%	Of Transportation
Maintenance and Repairs	\$204,417	28.1%	Of Vehicle Expenses
Vehicle Insurance	\$269,162	37.0%	Of Vehicle Expenses
Vehicle Rental, Leases, Licenses	\$171,681	23.6%	Of Vehicle Expenses
Finance Charges	\$82,203	11.3%	Of Vehicle Expenses
Public Transportation	\$132,266	5.4%	Of Transportation
ENTERTAINMENT	\$737,763	5.0%	Of Expenditures
Fees and Admissions	\$195,507	26.5%	Of Entertainment
Audio and Visual Equipment/Services	\$270,759	36.7%	Of Entertainment
Pets, Toys, Hobbies and Playground Equipment	\$126,895	17.2%	Of Entertainment
Other Entertainment Supplies	\$144,602	19.6%	Of Entertainment

CATEGORIES	AMOUNT	PERCENT	
HEALTH CARE	\$914,826	6.2%	Of Expenditures
Health Insurance	\$488,517	53.4%	Of Health Care
Medical Services	\$226,877	24.8%	Of Health Care
Physician, Dental and Clinical Services	\$78,046	34.4%	Of Medical Services
Hospital	\$84,852	37.4%	Of Medical Services
Nursing Home	\$19,511	8.6%	Of Medical Services
Home Health Services	\$6,579	2.9%	Of Medical Services
Other	\$37,888	16.7%	Of Medical Services
Drugs	\$162,839	17.8%	Of Health Care
Medical Supplies	\$36,593	4.0%	Of Health Care
PERSONAL CARE PRODUCTS	\$177,063	1.2%	Of Expenditures
PERSONAL INSURANCE & PENSIONS	\$1,696,855	11.5%	Of Expenditures
Life, Other Personal Insurance	\$111,992	6.6%	Of Insurance
Pensions and Social Security	\$1,584,862	93.4%	Of Insurance
CASH CONTRIBUTIONS	\$619,721	4.2%	Of Expenditures
READING	\$44,266	0.3%	Of Expenditures
EDUCATION	\$309,860	2.1%	Of Expenditures
TOBACCO PRODUCTS/SMOKING SUPPLIES	\$118,042	0.8%	Of Expenditures
MISCELLANEOUS	\$265,595	1.8%	Of Expenditures

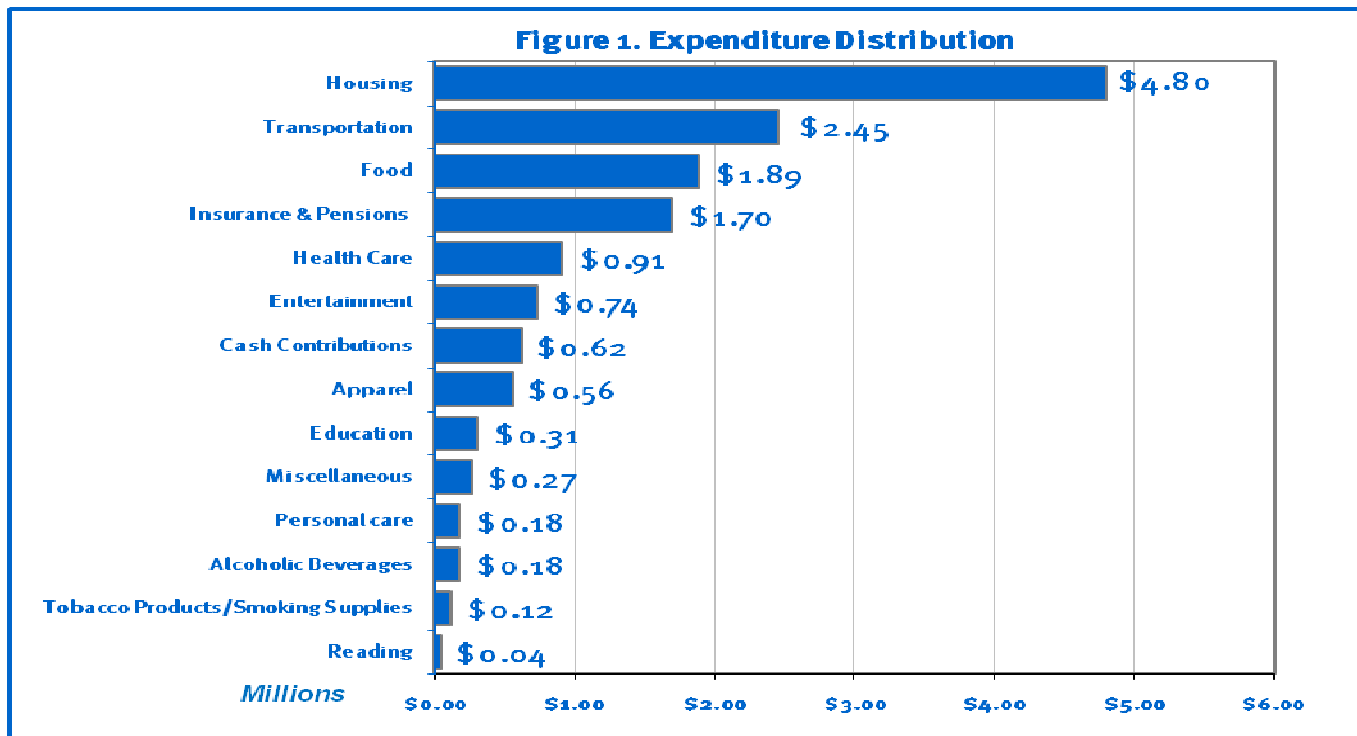
*Totals may not add up due to rounding

**Personal consumption expenditures are computed from total earnings generated minus tax and nontax payments

Deposit to Financial Institutions: \$5,837,244

The estimated deposits to local financial institutions are computed based on personal savings rate less deposit leakage estimate with area turnover (reserve required ratio). This figure does NOT include commercial accounts, which would magnify this estimate.

The chart below shows the impact of new earnings in local major industries.



ii. Sales Tax Revenue

The job creation efforts of the Council yielded tax benefits from the **consumer spending** generated as result of the new payroll.

The state of Nebraska collects a sales tax rate of 5.5%, which **amounts to \$290,261 in state sales tax revenue**. In addition, there is the **local option sales and use tax rate** that imposed by the cities that varies between 0.5% and 1.5%. Once collected, the sales tax is distributed among each jurisdiction. Table 10 shows a breakdown of the state and local estimated sales tax revenue.

Table 10. Estimated Sales Tax Revenue

CATEGORIES	AMOUNT
Estimated Consumer Spending	\$14,755,257
Estimated Taxed Expenditures	\$5,277,466
Estimated STATE Tax Revenue (5.5%)	\$290,261
Estimated Local Option Sales Tax Revenue (0.5% - 1.5%)	\$26,387 – \$79,162

Note: Totals may not add up due to rounding. Tax rates provided by the Nebraska Department of Revenue

Notes

- ✓ The estimated taxed expenditures were derived from the net personal consumption expenditures excluding these tax-exempt categories:
 - **Food at Home**
 - **Prescription Drugs**

V. APPENDIX 1: Methodology

An economic impact analysis measures an organization's total effect on the region's economy.

The economic impact of the Council's job creation and retention activities was calculated based on a customized IMPLAN model for the Norfolk area region.

IMPLAN (**Impact analysis for PLANning**) is the most widely used input-output economic modeling system in the United States for estimating the economic impact of economic changes within a given area. The input-output (I-O) accounts show how industries interact. Specifically, they show how industries provide input to, and use output from, each other to produce gross domestic product. These accounts provide detailed information on the flows of the goods and services that make up the production processes of industries.

The model captures the recycling of local dollars and income—the “**multiplier effect**”—which reflects how much *indirect and induced* employment, earnings, and output (business activity) will result after the initial spending or investment has occurred. Leakage of dollars and income out of the county, via taxes or non-local spending, reduces the size of the multiplier effect and reduces the potential size of the local economy. The model estimates:

- ✓ **Direct impacts** - the numbers resulting directly from the jobs created and retained with the assistance of the Elkhorn Valley Economic Development Council (the Council).
- ✓ **Indirect impacts** - the changes in employment, income and output (business sales) in various industry sectors of the local economy that supply goods and services to the companies that have expanded.
- ✓ **Induced impacts** - the increased sales from household spending of the income earned on various supporting industry sectors of the local economy.

Employment, wage rates and capital investment for each company used in this impact analysis were provided by the Elkhorn Valley Economic Development Council. Multipliers were assigned to each company based upon industry type/product produced. Companies are included based on the condition that the Council had significant, but not necessarily exclusive, influence on their decision to locate or expand in the region.

VI. APPENDIX 2: About NCDS and the Economic Strategy Center

National Community Development Services, Inc. (NCDS) is a pioneer in nonprofit, community-based fundraising. Since 1977, NCDS has raised over \$1.1 billion for 485 organizations, in 44 states across the U.S.

The Economic Strategy Center is the economic research and analysis division of NCDS. ESC combines the economic principles of the statistics, finance and investment fields to provide powerful, persuasive arguments for public and private sector investment in nonprofit programs and organizations.

The ECS focuses specifically on applying state-of-the-art tools and techniques for evaluating the *past, present* and *future* economic impacts of policies, programs, facilities and industries.

The ESC's analytical expertise is supported by thorough, in-depth research, utilizing an array of local and national sources.

The Economic Strategy Center has provided research and economic analysis services to hundreds of organizations throughout the U.S. The ESC performs studies in each client's region to identify economic trends and measure each program's economic impact in the local economy. The ESC produces relevant, realistic, results-oriented proof of an organization's effectiveness by quantifying its return on investment (ROI).

The ESC helps clients address three types of issues:

- **Market Analysis** - How will my organization be affected by changes in the economy? What should I do to respond to them?
- **Cost/Benefit Analysis** - What will be the economic impact/benefits and costs of my project/program? What should I do to maximize net value? What is the best way to communicate our value?
- **Economic Strategy** - How can my project/program affect business growth and attraction? How can I best target my efforts?

The ESC has the skill and broad experience in turning complex data into information that leads to **strategic decisions** and the realization of **aggressive goals**. The ESC's products provide clear, yet sophisticated analysis **customized to meet** the particular needs of each organization.

The ESC is an accredited member of the *American Economic Association*, *National Association for Business Economics*, *The Council for Community and Economic Research (former ACCRA)*, *International Economic Development Council* and *American Chamber of Commerce Executives*.

The Economic Strategy Center is headed by **Juli Golemi**, a trained economist with a strong research and analysis background. Juli earned her Master's Degree in Economics from Middle Tennessee

State University and completed studies at Vanderbilt University and England's Cambridge University.

Before joining the Economic Strategy Center, Juli was Director of Research for Target Market Development, Inc. in Nashville, TN, where she identified business trends and issues affecting a wide range of business and economic sectors. Juli also was an Adjunct Professor at Columbia State Community College where she taught Principles of Macroeconomics. Earlier, as a research associate to the former President of the Federal Reserve Bank (Southern Region), Juli's research was often utilized for presentations, academic papers and professional journals.

For more information on ESC's services visit www.ncdsinc.net