



2010 Economic Impact Study

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Executive Summary

The economic impact analysis measures the overall impact of VIDA on the local economy. VIDA impacts the economy in primarily two ways: 1) through VIDA’s operating expenses to implement its program services and training and 2) through wage increases that VIDA graduates earn after they complete their training.

In fiscal year ‘08-‘09¹, VIDA will have \$3.03 million to implement its training programs. On average VIDA’s graduation rate is 59% per year, therefore another \$20.3 million in wage increases are injected into the economy by VIDA graduates who earn higher salaries and wages after training. This spending creates and supports additional jobs, income, taxes and output in the local economy.

Altogether, the combined investment made by VIDA for operating expenses (administrative expenses, training and program services) and VIDA graduates’ wage increases supports an additional 239 jobs, generates \$6.6 million in labor income, adds \$11.3 million in value added, creates \$400,909 in sales taxes and \$416,393 in property taxes, for a total economic output of \$20.9 million. See Table 1.

Table 1: Economic Impact – VIDA Total

	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$3,080,499	59	\$1,036,839	\$1,294,320
Indirect Effect	\$1,006,145	8	\$287,171	\$466,707
Induced Effect	\$16,856,816	172	\$5,337,301	\$9,539,136
Total Effect	\$20,943,460	239	\$6,661,311	\$11,300,192
Sales Tax	\$400,909		Property Tax	\$416,393

¹ Fiscal year, 15 month period ending September 30, 2009.

Introduction

The Rio Grande Valley has experienced tremendous growth within the last ten years. The young and rapidly growing population fuels an ever-increasing demand for housing, health care, education, consumer good, transportation, and government services. Despite this growth, the Rio Grande Valley counties of Cameron, Hidalgo, Willacy, and Starr, find themselves mired with some of the highest poverty rates in the state and nation. This can largely be attributed to the low academic and/or “occupation specific” skill levels of its residents. The main economic challenge faced by the available workforce pool in this area is education improvement – a question of training for higher skill/higher wage jobs.

The Valley Initiative for Development and Advancement (VIDA) is a community-based, 501 (c)(3) nonprofit organization dedicated to helping the unemployed, underemployed and low income (individuals on public assistance) workers and their families escape the cycle of poverty and achieve self-sufficiency in the Rio Grande Valley through education and training for demand occupations.

VIDA was created in 1995 as a result of a local effort led by of Valley Interfaith, a grassroots faith-based, community organization in partnership with key business leaders from the region. Originally designed to be a two-year, workforce

demonstration project, VIDA is in its 15th year of operation and has utilized a job training model that has attracted national recognition.

VIDA receives funding from local (cities and counties), state, federal funding, individual and business donors, and private foundations. Through education and training providers such as South Texas College, Texas State Technical College, The University of Texas Brownsville, Texas Southmost College, and The University of Texas-Pan American, VIDA offers assistance to residents to graduate from one and two-year certificate and associate degree programs and secure employment in demand occupations. Participants receive tuition assistance and support services, including career counseling.

To date VIDA has helped close to 5,000 Valley adult residents in their quest for education and training in targeted demand occupations. Graduates in fiscal year '08-'09 earn an average reported wage of over \$18.39 per hour. VIDA's unique program model is at the core of the resounding success.

"VIDA participants are staying in school at extraordinarily high rates. For example, of the 358 low-income new participants enrolled with VIDA in the fall semester of 2007, 84% or 297 were still enrolled in school or had graduated two years later. Statewide, students are dropping out at a much higher rate. The Texas Higher Education Coordinating Board's 2007-2008 Student Migration Report compares fall 2007 enrollment in Texas public community, state and technical colleges to fall 2008

enrollment. THECB* reported that 42% of non-graduates were found to be continuing at the same college, 18% had transferred to other state colleges, and 40% could not be located at Texas public colleges at the end of just one year.² During the same year 7% of all enrollees graduated”.³

Table 2: VIDA Rates*

	Fall 2008	Fall 2009	Cumulative 2 year
Persistence	86%	90%	83%
Graduation	59%	71%	78%

* Fall '07 baseline tracking.

In VIDA’s program model, career counselors and case managers work closely with each individual student to address barriers that historically plague this demographic pocket and ultimately quash their efforts of continuing education. Financial matters, family issues and time management are but a few of the elements that are worked through in weekly counseling sessions with students. In addition, VIDA counselors infuse group sessions with soft skills training such as general employability, resume preparation and interviewing, financial management, study skills, and introduce guest speakers to open dialogue for home buying, savings and investments, and retirement planning. Through training, counseling, and case management, VIDA participants are equipped to enter workforce with the skills and commitment necessary for success.

² Texas Higher Education Coordinating Board: 2007-2008 Student Migration Report.

³ <http://sites.google.com/site/kathleenburnsidesite/>

This economic impact analysis measures the economic benefits of VIDA's spending to implement its programs, and the economic benefits of its graduates on the local economy.

Impact Results

The economic impact analysis measures the overall impact VIDA has on the local economy. VIDA impacts the economy in primarily two ways: 1) through spending money (operating expenses) to implement the VIDA program and 2) through wage increases that VIDA graduates earn after they complete their training. For analysis, the results of the study are organized into: a) VIDA operating expenses b) VIDA graduate wage increases. These impacts were added to get the total economic impact that VIDA has on the local economy.

A. VIDA Operating Expenses

VIDA budget for fiscal year '08-'09 is \$3.07 million. See Table 3. Of this amount, VIDA budgeted \$3.03 million in operating expenses for direct program services, training and administrative operations. The majority of the VIDA's operating expenses are for direct training and support services, which total \$2.06 million. This money is paid to local educational training institutions such as South Texas College, Texas State Technical College, The University of Texas Brownsville, Texas Southmost College, and The University of Texas-Pan American, to provide training for VIDA participants. Other operating expenses include personnel, professional, supplies, computer hardware

and software, rent, advertising, training, insurance, telephone and Internet, postage, and other miscellaneous expenses that are made to businesses and employees.

Table 3: VIDA Budget '08-'09

Total Revenue	\$3,074,729
Expenses:	
Program Services	\$ 2,848,019
Supporting Services:	
General and administrative	\$186,165
Total Operating Expenses:	\$3,034,184

The \$3.03 million in spending made to educational institutions for training VIDA participants, wages paid to VIDA employees, and various expenses made by VIDA to businesses to operate its program, such as rent, utilities, professional services, etc., supports the creation of an additional 75 jobs generates \$1.5 million in labor income, adds \$2.1million in value added, creates \$34,772 in sales taxes and \$36,115 in property taxes, for an total economic output of \$4.7 million. See Table 4.

Table 4: Economic Impact – VIDA Operating Expenses

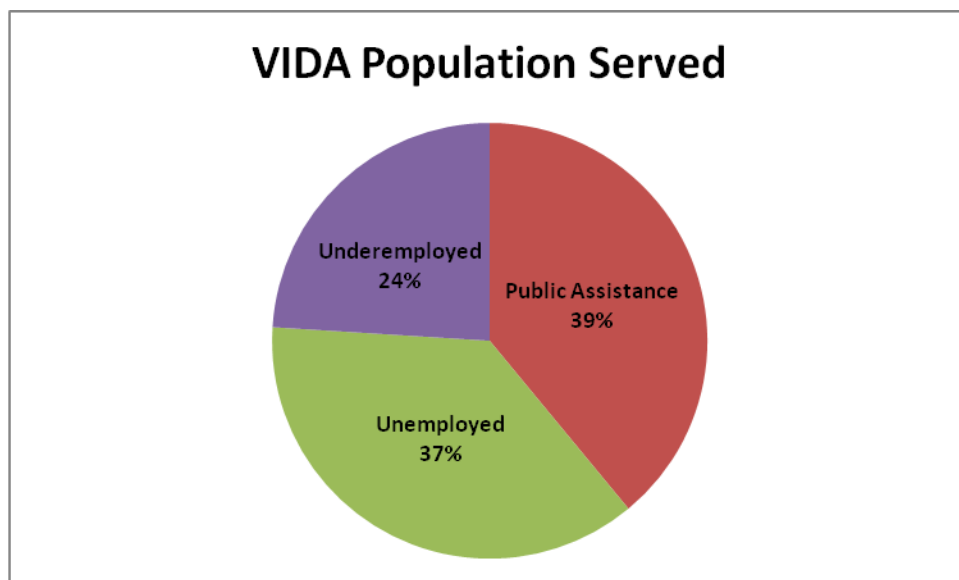
	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$3,034,184	59	\$1,012,722	\$1,264,216
Indirect Effect	\$978,104	8	\$280,491	\$455,851
Induced Effect	\$772,050	8	\$238,319	\$439,297
Total Effect	\$4,784,338	75	\$1,531,532	\$2,159,360
Sales Tax	\$34,772			
Property Tax	\$36,115			

B. VIDA Graduate Wage Increases

The bigger economic impact of VIDA's program is through wage increases that VIDA graduates earn after they complete their training. Graduates whose ability to successfully move from the ranks of the low-income to middle income, has a significant impact on the economy. Their increased earnings from employment after training translate to increased spending in the economy for goods and services. Their increased earnings also enhance their contributions to the tax system and reduce their dependence on public welfare.

According to VIDA, 900 participants (333 students were unemployed; 351 were on public assistance, with an average salary of \$18,310, and an average household size of 3 per family; and 216 were underemployed, with an average salary of less than \$17,000) were enrolled in VIDA programs in '08-'09. See Figure 1.

Figure 1: VIDA Participants Before the Program



With a 59% graduation rate, a total of 531⁴ graduates were placed at an average annual starting salary of \$38,251.⁵ This generates a \$20.3 million increase in wages that is injected into the local economy. Based on the analysis, wage increases of \$20.3 million creates and supports an additional 164 jobs, generates \$5.09 million in labor income, adds \$9.08 million in value added, creates \$365,309 in sales taxes and \$379,418 in property taxes, and for a total economic output of \$16.1 million. See Table 5.

Table 5: Economic Impact – VIDA Graduate Wage Increases

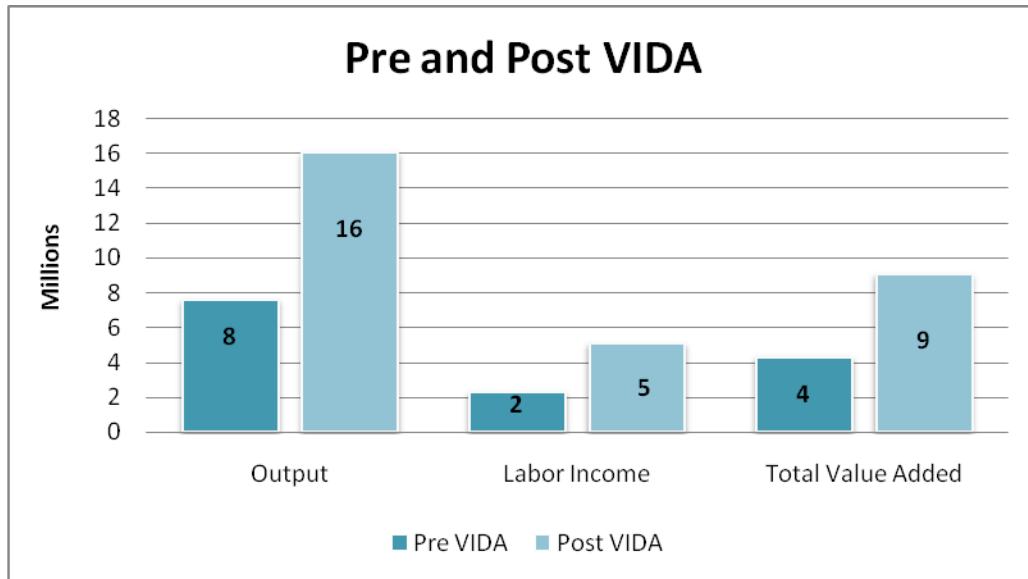
	Output	Employment	Labor Income	Total Value Added
Direct Effect	0	0	0	0
Indirect Effect	0	0	0	0
Induced Effect	\$16,068,699	164	\$5,093,305	\$9,089,376
Total Effect	\$16,068,699	164	\$5,093,305	\$9,089,376
Sales Tax	\$365,309			
Property Tax	\$379,418			

After completing training, VIDA participants see an increase of 111 percent in total output. They also experience an increase in labor income by 120 percent and see an increase in total value added to the local economy by 110 percent. See Figure 2.

⁴ Fall to fall student tracking system indicates a 59% graduation rate in one year and 78% in three year period.

⁵ Certificate and Associate degrees only not PrePSOT.

Figure 2: Change from Pre and Post VIDA



C. VIDA Total Impact

Altogether, combined investment made by VIDA for operating expenses (administrative expenses, training and program services) and VIDA graduates' wage increases supports an additional 239 jobs, generates \$6.6 million in labor income, adds \$11.3 million in value added, creates \$400,909 in sales taxes and \$416,393 in property taxes, for a total economic output of \$20.9 million. See Table 6.

Table 6: Economic Impact – VIDA Total

	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$3,080,499	59	\$1,036,839	\$1,294,320
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Sales Tax	\$400,909			
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Methodology

This study estimates the economic impact created by VIDA. With local unemployment hovering near double-digit levels for the first time in more than a decade, an assessment of VIDA aims to help local leaders, the business community, and the investors gain perspective on how the funding invested in VIDA has economically benefitted the region. Using public information and audited financial data VIDA provided, this study estimates the aggregate value added to the local economy, plus direct and indirect jobs created by the program.

The economic impact study of VIDA was conducted using IMPLAN economic impact modeling software. The software captures the regional dollar flows from purchasers to producers using inter-industry transaction information for more than 500 industries. Production functions describing how much is spent in each industry (and the proportions) are created using inter-industry transaction data. A predictive model and the associated multipliers are then constructed to show how output changes with a change in final demand.

IMPLAN is used by more than 1,000 public and private institutions to enable users to make in-depth examinations of state, multi-county, county, sub-county, and metropolitan regional economies. It is a nationally-recognized, economic impact modeling software.

Final demand drives input-output models. Industries respond to meet demand directly or indirectly (by supplying goods and services to industries responding directly). Each industry that produces goods and services generates increasing demand for other goods and services for multiple rounds.

These iterations generate multipliers, which are related to three kinds of effects:

1. **Direct effects** are changes in the local economy caused by some economic change in the area.
2. **Indirect effects** are changes in inter-industry transactions as supplying industries respond to increased demands from the directly affected industries
3. **Induced effects** reflect changes in inter-industry spending resulting from household spending. This spending comes from household income generated from the direct and indirect effects.

Definitions

- Output (gross sales)
- Employment (jobs)
- Value Added (gross regional product)