

2015

ECONOMIC IMPACT OF ATTRACTIONS AND EXPANSIONS IN WHITFIELD COUNTY

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Prepared for:

Greater Dalton Chamber of Commerce



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Executive Summary

With business growth as the foundation of Whitfield County's economic vitality, business attraction and expansion is the driving force behind economic diversification and growth. The Greater Dalton Chamber of Commerce (the Chamber) and the Dalton-Whitfield County Joint Development Authority (JDA) have played a major role in driving economic growth by supporting existing companies in their expansion needs and attracting new companies to the community.

In year 2015, the Chamber/JDA announced the **expansion and attraction of 7 companies**. The new and expanding companies generated substantial impact on the region's economy. These companies announced the creation of 245 direct jobs and injection of \$47.5 million of capital investment into the local economy. The new jobs generated \$17.3 million in new direct income and \$58.8 million in output (local business activity).

The direct jobs multiplied to an additional 120 indirect and induced jobs with income of \$4.8 million and economic output of nearly \$15.2 million.

The total economic impact of the Chamber's /JDA's expansions and attractions in 2015 was:

- 365 jobs that generated \$22.1 million in income for the County's residents and \$74 million in output
- \$17.7 million in consumer spending
- \$0.6 million in state and local sales tax revenue

The following metrics further underscore the success of the Chamber's/JDA's economic development efforts:

- Each new direct job supported an additional .5 job in Whitfield County.
- Every dollar of new income generated an additional \$0.28 in earnings for the residents of Whitfield County.

- Each Chamber/JDA attraction and expansion dollar generated \$55 dollars of direct income for the County's citizens.
- Each attraction and expansion dollar generated \$70 dollars in total income (direct, indirect and induced) for the County's citizens.
- Each attraction and expansion dollar generated \$151 dollars in capital investment.

SECTION 1

Economic Impact Analysis

The economic impact analysis quantifies the extent to which the Chamber's/JDA's attraction and expansion activities stimulate economic effects by generating employment, income and local business activity. This report shows the total economic impact – direct, indirect and induced impact - measured in terms of jobs, income and output (business activity). These impacts are calculated using IMPLAN, a well-established, input-output economic model customized to reflect Whitfield County's economy (see Appendix for Methodology).

i. Impact of New Jobs

The continuing growth of existing companies and the attraction of new companies have the potential to create new high-wage jobs, generate additional tax revenue for the local public sector, and boost the local economy.

The new jobs also have an impact on the region's household income and output. Various industries that supply goods and services to these companies are impacted as well (indirect impact). In addition, the economic activity generated via the induced impact (household expenditures) has the largest impact on companies that sell directly to consumers. Virtually all sectors of the local economy are impacted at some level by the Chamber's/JDA's job creation activities.

The value of a job to a region's economy varies by industry. Jobs based on significant capital investment have a greater ripple effect in the region's economy. These capital-intensive jobs (i.e., manufacturing, IT) tend to have above average wage rates for those employed in these industries. Jobs requiring less human and physical capital generate a smaller economic value for the region's economy. These jobs have a propensity to occur in retail, services, and some of the lower skilled manufacturing industries. Lower income levels generally correspond with these categories of employment.

The new and expanding companies announced the creation of **245 new direct jobs** in Whitfield County in year 2015.

| Table 1-1. Job Creation Announcements (2014) | |
|--|--------------------|
| Companies Assisted | New Jobs Announced |
| 7 | 245 |

The new jobholders earned **\$17.3 million of income** and generated **economic output (local business activity) of \$58.8 million**.

While a large share of the impacts are attributed to direct employment and income, the total impact (direct, indirect, and induced) is important to the region’s economy. The increased economic activity attributed to the news jobs generates ripple impacts throughout the region, supporting an additional 120 indirect and induced jobs with income of \$4.8 million and economic output of \$15.2 million. **This brings the total economic impact to 365 jobs that generated \$22.1 million in income and \$74 million in output.** Table 1-2 shows a summary of the economic impact of the jobs created with the assistance of the Chamber/JDA.

Table 1-2: Economic Impact of New Jobs (2015)

| Impact Type | Employment | Income | Output |
|------------------------|------------|---------------------|---------------------|
| Direct Effect | 245 | \$17,319,175 | \$58,805,777 |
| Indirect Effect | 54 | \$2,420,974 | \$7,628,382 |
| Induced Effect | 66 | \$2,376,084 | \$7,598,556 |
| Total Effect | 365 | \$22,116,233 | \$74,032,715 |

ii. Impact of new income on local industries

The growth of the new and expanding companies will bring millions of dollars to Whitfield County and create thousands of high paying jobs. However, the economic impact of new jobs reaches far beyond the industries that provide these jobs. Almost all industries will benefit from the increased consumer spending as well.

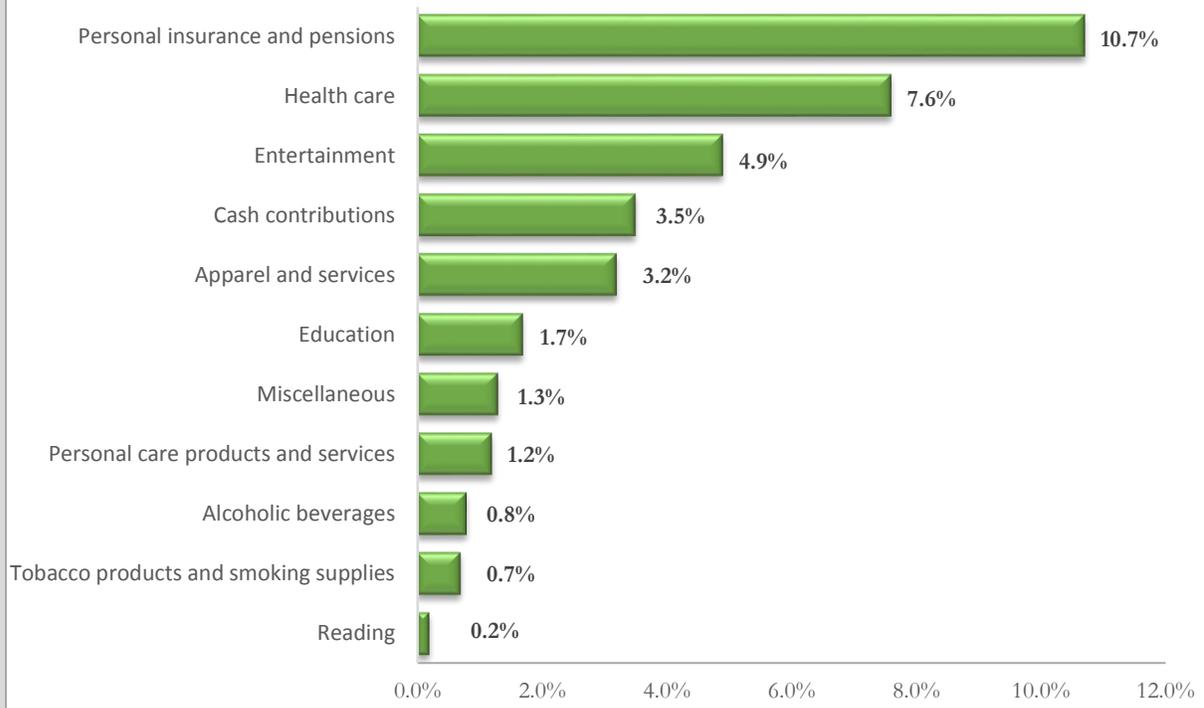
Of the total \$22.1 million new income, **\$17.7 million** is estimated to be spent locally by the residents of Whitfield County. Table 1-3 and chart 1-1 show how the money is spent following a consumption pattern consistent with the South region.

Table 1-3. Consumer Spending By Category

| Spending Categories | Percent | Amount |
|---------------------------------------|-------------|---------------------|
| Housing | 32.6% | \$5,767,914 |
| Transportation | 18.6% | \$3,290,895 |
| Food | 13.0% | \$2,300,088 |
| Personal insurance and pensions | 10.7% | \$1,893,150 |
| Health care | 7.6% | \$1,344,667 |
| Entertainment | 4.9% | \$866,956 |
| Cash contributions | 3.5% | \$619,255 |
| Apparel and services | 3.2% | \$566,176 |
| Education | 1.7% | \$300,781 |
| Miscellaneous | 1.3% | \$230,009 |
| Personal care products and services | 1.2% | \$212,316 |
| Alcoholic beverages | 0.8% | \$141,544 |
| Tobacco products and smoking supplies | 0.7% | \$123,851 |
| Reading | 0.2% | \$35,386 |
| TOTAL | 100% | \$17,657,600 |

*Totals may not add up due to rounding

Chart 1-1. Distribution of Consumer Spending: 2015



iii. Capital Investment

Capital investment generates considerable impact in local economies by creating jobs, spurring long-term economic growth and fostering prosperity for local communities. Furthermore, capital investment generates tax revenue for the local and state governments but the magnitude of the fiscal impact is dependent upon Incentives and other multi-year deals made between new/expanding companies and cities/counties.

New and expanding companies invested **\$47.5 million** in Whitfield County in 2015 with the assistance of the Chamber/JDA.

| Table 1-4. New Capital Investment (2015) | |
|---|-------------------------------|
| Number of Companies Assisted | New Capital Investment |
| 7 | \$47,500,000 |

SECTION 2

Tax Revenue

Employee spending generates fiscal impacts that accrue to local governments. Based on estimated **consumer expenditures of nearly \$17.7 million**, it is estimated that the new jobholders will generate nearly **\$0.6 million in state and local sales tax revenue**. Table 2-1 shows a detailed breakdown of the estimated tax revenue attributed to the income.

| Table 2-1. Estimated Sales Tax Revenue | |
|---|------------------|
| Categories | Amount |
| Estimated New Income | \$22,116,233 |
| Estimated Consumer Spending | \$17,692,986 |
| Estimated Taxed Consumer Expenditures | \$9,991,713 |
| Estimated State Tax Revenue | \$345,570 |
| Estimated Local (County/City) Tax Revenue | \$299,751 |
| Total Estimated Sales Tax Revenue | \$645,322 |

Note: Tax rates provided by the Georgia Department of Revenue

- The estimated taxed expenditures were derived from the net personal consumption expenditures, excluding tax-exempt categories:
 - Food for home consumption (exempt from state sales tax only)
 - Prescription drugs

- The estimated sales tax revenue is based on:
 - Current state sales tax rate of 4%
 - Whitfield County's sales tax rate of 3%

SECTION 3

Program Performance Metrics

The Chamber's/JDA's economic development efforts resulted in significant wins in year 2015. New and expanding companies announced the creation of 245 direct jobs, with average wage rates higher than the county's overall average wage rate, and injected \$47.5 million of capital investment into Whitfield County's economy.

The following performance metrics further highlight the success of the Chamber's/JDA's economic development efforts.

Table 3-1: Performance Metrics: 2015

- Each new direct job supported an additional .5 job in Whitfield County.
- Every dollar of new income generated an additional \$0.28 in earnings for the residents of Whitfield County.
- Each attraction and expansion dollar generated \$55 dollars of direct income for the County's citizens.
- Each attraction and expansion dollar generated \$70 dollars in total income (direct, indirect and induced) for the County's citizens.
- Each attraction and expansion dollar generated \$151 dollars in capital investment.

All cost related calculations are based on the Chamber's (2015) attraction and expansion expenditures of \$315,000. Outside agency costs such as incentives are not included.

Methodology and Definitions

The economic impact of new jobs created in Whitfield County was calculated using IMPLAN (**IM**ppact **AN**alysis for **PL**ANning), an input-output model that represents the connections between the various industries in the county and the resulting household and governmental activities. IMPLAN 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 is customized to reflect Whitfield County's economy.

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 economic impact includes three components:

- **Direct impacts** – the impact generated directly from the jobs created and capital expenditures.
- **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 new/expanding facilities.
- **Induced impacts** – the increased sales from household spending of the income earned on various supporting industry sectors of the local economy.

Limitations

The results of this analysis must be interpreted within the limitations of the study itself. These limitations include:

- **Data:** employment and capital investment for each company used in this impact analysis were provided by the Chamber/JDA. Multipliers were assigned to each company based upon industry type/product produced. Companies are included based on the condition that the Chamber/JDA had significant, but not necessarily exclusive, influence on their decision to locate or expand in Whitfield County.
- **All benefits accrue to the local economy** - the benefits of job creation rarely accrue solely in the immediate area. The methodology used in this study assumes that the benefits will accrue within Whitfield County.