

# **VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY ECONOMIC IMPACT STUDY**



Dr. Clifford A. Lipscomb  
Assistant Professor of Economics

and

Dr. Cynthia Royal Tori  
Associate Professor of Economics

Harley Langdale Jr. College of Business Administration  
Rea and Lillian Steele North Campus  
Valdosta State University  
Valdosta, Georgia

May 2007

### **EXECUTIVE SUMMARY**

The Valdosta-Lowndes County Industrial Authority (VLCIA) oversees industrial and economic development in Valdosta and Lowndes County. From 2002 through 2006, the VLCIA total economic impact was \$6,266,509. This disaggregates into local expenditures (\$2,170,804), indirect and induced economic impacts (\$307,881), and the tax contributions of establishments successfully attracted to Lowndes County by the VLCIA (\$3,787,824). Overall, when all of the multiplier effects are considered, the VLCIA has a “rate of return” on investment of 188.6 percent over the 2002 to 2006 time frame.

In terms of employment impacts, from 2002 through 2006, on average the VLCIA employed five people (full-time equivalent), creating a direct effect of 5 jobs on the Valdosta-MSA. The number of indirect and induced jobs resulting from the VLCIA activities was 4.2 jobs. Also, the VLCIA helped attract establishments to Lowndes County that created 949 jobs throughout the 2002 to 2006 period. Taking into account the expenditure impact and new industry impact on jobs, the VLCIA had a total economic impact of 958.2 jobs over the five-year period.

## **Introduction**

### *The Valdosta-Lowndes County Industrial Authority*

The Industrial Authority is a joint organization that oversees industrial and economic development in Valdosta and Lowndes County. In 1960, the Authority was formed as an amendment to the Georgia State Constitution. It comprises a board of five members: two city appointees, two county appointees, and one joint appointee. The terms of the members are five years. The officers of the board are Chairman, Vice-Chairman, and Secretary. The staff of the Industrial Authority, consisting of a director, assistant director, administrative assistants, and staff intern, conducts the day-to-day operations. For the purposes of this study, the four permanent employees of the VLCIA and work performed by the board members are counted as five full-time equivalent employees.

The VLCIA has a wide range of powers from which to promote economic development in the city and the county. The Authority buys and sells property, recruits and provides assistance to new incoming industries, and supports existing industries. Until recently, the Industrial Authority was a part of the Valdosta-Lowndes County Chamber of Commerce. Reorganization separated the two, and the Authority has been its own entity since 1993. As its name indicates, the VLCIA receives funds from both the city and county governments, meaning that the Authority operates through public funding.

One source of revenue for the Authority is SPLOST taxes, or Special Purpose Local Option Sales Tax. With SPLOST funds, the VLCIA constantly makes improvements to its industrial parks, including constant upgrades of its water, sewer, and

road systems. Infrastructure improvements such as these are vital to maintain a safe and state-of-the-art working environment for industry. In addition, funds often are used to acquire new land, as was the case with Perimeter West Business Park, which was purchased through SPLOST funds.

### *The Valdosta MSA*

Valdosta is located in Lowndes County along the Florida-Georgia border. On June 6, 2003, the United States Office of Management and Budget (OMB) recognized Valdosta, Georgia as a metropolitan statistical area (Valdosta-MSA). The Valdosta-MSA includes Brooks, Echols, Lanier, and Lowndes counties, with Lowndes County the most populous and affluent of the four counties.

### *Overview of the Economic Impact Study*

This economic impact study uses an input-output analysis to measure the economic linkage between the VLCIA and the Valdosta-MSA. The analysis uses a predictive model to measure changes in output and employment that are associated with local Authority-related activities. Changes in output and employment are primarily a function of local spending by the Valdosta-Lowndes County Industrial Authority. The study also includes the tax revenue generated by VLCIA-assisted establishments that located to Lowndes County. In essence, this measures a “rate of return” on each dollar allocated to the VLCIA by the City of Valdosta and Lowndes County governments.

## **Expenditure Economic Impact Concepts and Methodology**

When economists refer to economic impacts, they are considering how local expenditures associated with a development project, business enterprise, or government institution affects output and employment in a region. With any activity, a portion of total expenditures is spent within the regional economy and a portion is spent outside the regional economy. For example, VLCIA expenditures include salaries, operational support, and travel. The salary expenditures have an impact on regional output and employment. This type of impact is referred to as direct economic impact. Since travel expenses are generally expenditures outside the region, say, payments to Delta Air Lines that end up in Atlanta, they are considered leakages and do not count toward the VLCIA economic impact on the region.

When local businesses and workers receive payment for their goods and services, they too spend a portion of their funds in the regional economy. Using the VLCIA example, the VLCIA's employees use a portion of their salaries to buy gasoline, eat at restaurants, and pay for entertainment. These subsequent expenditures create more output and employment for the regional economy. Of course, the businesses and workers that receive the subsequent payments also spend a portion of their funds in the local economy, which creates more output and employment. The output and employment generated from the subsequent spending are known as the multiplier effect.

The multiplier effect includes both the indirect and induced effects resulting from the initial spending. Indirect effects consist of the expenditure and employment changes that result from subsequent business production and expenditures. The induced effects are the changes in spending that capture all inter-institutional transfers, including

subsequent household spending. The magnitude of the multiplier is a function of the resource flows among industries in a region and the marginal propensity of local consumers to spend their income. The heterogeneity of businesses and consumers leads to different multipliers for the various industries and regions across the United States. In general, however, the more self-sufficient the region, the larger is the multiplier.

The total economic impact of an activity is the sum of the direct, indirect, and induced economic impacts. It assesses the total change in output and employment that results from the initial spending on a development project, business enterprise or government institution. The total economic impacts of this study are calculated using multipliers derived through the regional input-output model with the IMPLAN Professional 2.0 Accounting & Impact Analysis Software. The model uses a regional social account matrix (SAM) that includes both market and non-market economic transactions to calculate the multipliers. The SAM multipliers use social accounting matrix information to generate a model that captures the inter-institutional transfers. The model includes not only household spending, but also other institutional spending as well. Examples of spending are tax payments and savings.

## **Economic Impact on Output and Employment Results**

The economic impact of the VLCIA on the Valdosta-MSA is a result of the impact of expenditures by VLCIA as well as the tax revenue and new jobs directly attributable to VLCIA recruited industries. This section reveals the total economic impact on output and employment associated with these impact sources.

## The Expenditure Impact on Output

The VLCIA total local expenditures from 2002 through 2006 were \$2,170,804. Approximately 36 percent of the expenditures were employee salaries and the remaining were operating expenses. Table 1 provides a breakdown of the VLCIA local expenditures.

**Table 1**  
**Valdosta-Lowndes County Industrial Authority**  
**Expenditure Impact on Output**  
**2002 through 2006 (in dollars)**

	Direct Effects	Indirect and Induced Effects <sup>a</sup>	Total Impact on Output
Salaries	775,000	115,198	890,198
Operating expenses	1,395,804	192,683	1,588,488
<b>Total Expenditure Impact</b>	<b>2,170,804</b>	<b>307,881</b>	<b>2,478,685</b>

Source: Valdosta-Lowndes County Industrial Authority. <sup>a</sup> Impacts estimated using the IMPLAN's Professional 2.0 Social Accounting and Impact Analysis Software and IMPLAN's SAM type multipliers.

For each type of expenditure, the regional input-output model calculates the indirect and induced economic impacts. These impacts account for subsequent spending that result from the initial direct expenditures by the VLCIA. The indirect and induced economic impacts on Valdosta-MSA output totaled \$307,881. On average, for every one dollar of direct expenditures by the VLCIA, output increased an additional .142 dollars in the Valdosta-MSA.

The total economic impact of VLCIA expenditures on the Valdosta-MSA was \$2,478,685. These impacts are the sum of the direct, indirect, and induced economic impacts of VLCIA expenditures.

### The Tax Revenue Impact on Output

Part of the VLCIA’s mission is to recruit and provide assistance to new incoming industries. To calculate the total economic impact of VLCIA on the Valdosta-MSA, the study also considers the additional tax revenues generated by establishments that located to Lowndes County as a direct result of VLCIA assistance. For the 2002 through 2006 period, the actual tax dollars (including personal and real property taxes) paid to the city and county governments was \$3,787,824. This suggests that, from 2002-2006, the rate of return for a one dollar “investment” in the VLCIA was 74 percent (calculated as  $\frac{3787824 - 2170804}{2170804}$ ). This represents a minimum rate of return since it only considers the establishments that successfully located to Lowndes County and/or that had a significant physical plant expansion. Over the same period, the rates of return in the financial markets, measured using the Standard and Poor 500 (S&P 500) and the Dow Jones Industrial Average (DJIA), were 24 percent and 25 percent, respectively. So comparatively, one can argue that the VLCIA has a proven track record of a good return on taxpayers’ investment.

**Table 2**  
**Valdosta-Lowndes County Industrial Authority**  
**Total Impact on Output**  
**2002 through 2006 (in dollars)**

	Total Impact on Output
Total Expenditure Impact on Output	2,478,685
Tax Revenue generated	3,787,824
<b>Total Output Impact</b>	<b>6,266,509</b>



*Taking into account the expenditure impact and tax revenue impact, the VLCIA had a total economic impact on output of \$6,266,509 over the five-year period. To translate this into a “rate of return” calculation, we determine that from 2002-2006 the overall rate of return for a one dollar “investment” in the VLCIA was 188.6 percent.*

### **The Expenditure Impact on Employment**

An additional measure of economic impact is to calculate the impact an activity has on employment. The definitions of direct, indirect, and induced effects still apply, but now the focus is on job creation. During the years 2002 through 2006, on average the VLCIA employed 5 people, creating a direct effect of 5 jobs on the Valdosta-MSA. The number of indirect and induced jobs resulting from the VLCIA activities was 4.2 jobs. The indirect and induced jobs are created as employees spend their salaries at local restaurants, local retail establishments, etc. The total economic impact, as shown in Table 3, on Valdosta-MSA employment over the five-year period was 9.2 jobs.

**Table 3**  
**Valdosta-Lowndes County Industrial Authority**  
**Expenditure Impact on Employment**  
**2002 through 2006 (in dollars)**

	Direct Effects	Indirect and Induced Effects <sup>a</sup>	Total Impact on Jobs
Employees	5.0	1.4	6.4
Operating expenses		2.8	2.8
<b>Total Expenditure Impact</b>	<b>5.0</b>	<b>4.2</b>	<b>9.2</b>

Source: Valdosta-Lowndes County Industrial Authority. <sup>a</sup> Impacts estimated using the IMPLAN’s Professional 2.0 Social Accounting and Impact Analysis Software and IMPLAN’s SAM type multipliers.

### The New Industry Impact on Employment

Just as VLCIA’s activities generated new additional tax revenue for the Valdosta-MSA, these activities also create new job opportunities for the local community as new industries located within Lowndes County. From 2002 through 2006, 949 new jobs were created in Lowndes County as a direct result of VLCIA activities. In fact, 398 new jobs were created during 2006 alone.

**Table 4**  
**Valdosta-Lowndes County Industrial Authority**  
**Total Impact on Employment**  
**2002 through 2006 (in dollars)**

	Impact on Jobs
Total Expenditure Impact	9.2
New Industry jobs	949.0
<b>Total Jobs Impact</b>	<b>958.2</b>

*Taking into account the expenditure impact and new industry impact on jobs, the VLCIA had a total economic impact of 958.2 jobs over the five-year period.*

### Limitations and Other Considerations

The \$2,456,907 expenditure impact on output and 9.2 jobs expenditure impact on employment are minimum estimates of the total economic impacts associated with the VLCIA, as impact studies measure the quantifiable impacts of an activity. Examples of non-quantifiable impacts that are associated with the VLCIA include corporate citizenship, additional charitable contributions to the United Way and other local

charities, and the creation of a “healthier” workforce as these establishments often offer employees very generous health benefits packages.

While the study accounts for the tax revenue generated from the new industries (or tax expenditures of the new industries), it does not account for the other local direct expenditures or the multipliers effects associated with the new industries. If these expenditures were included in the study, the economic impacts on output and employment would be larger. The study also does not include potential economic spillover effects on the nearby counties in the South Georgia and North Florida regions located outside of the Valdosta-MSA.