

The Economic Impact of The Children's Home of Cincinnati on the Greater Cincinnati Area, 2011-2015



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EconomicsCenter

UNIVERSITY OF
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INTRODUCTION

The Children's Home of Cincinnati (The Children's Home) has been an invaluable asset to the Cincinnati Metropolitan Statistical Area (MSA) for over 150 years by offering services ranging from a traditional orphanage to adoption services to presently providing education and therapeutic treatment to children facing social, behavioral, and learning challenges. These impacts reach across all social and socioeconomic lines and truly make Cincinnati a more prosperous and equitable place to live.

Each year The Children's Home helps nearly 7,000 children overcome social and educational barriers. The impacts of these efforts reach far beyond the children and their families—the community benefits greatly from the direct efforts of The Children's Home as well as through having more people in the area that are confident and able to be part of the regional economy.

The Economics Center determined the economic impacts that The Children's Home had on regional jobs, earnings, and output between 2011 and 2015. The Center relied on data provided by The Children's Home to determine the direct impacts for the past five years. Then the Economics Center calculated the indirect impacts using the direct impacts and RIMS-II multipliers provided by the Bureau of Economic Analysis.



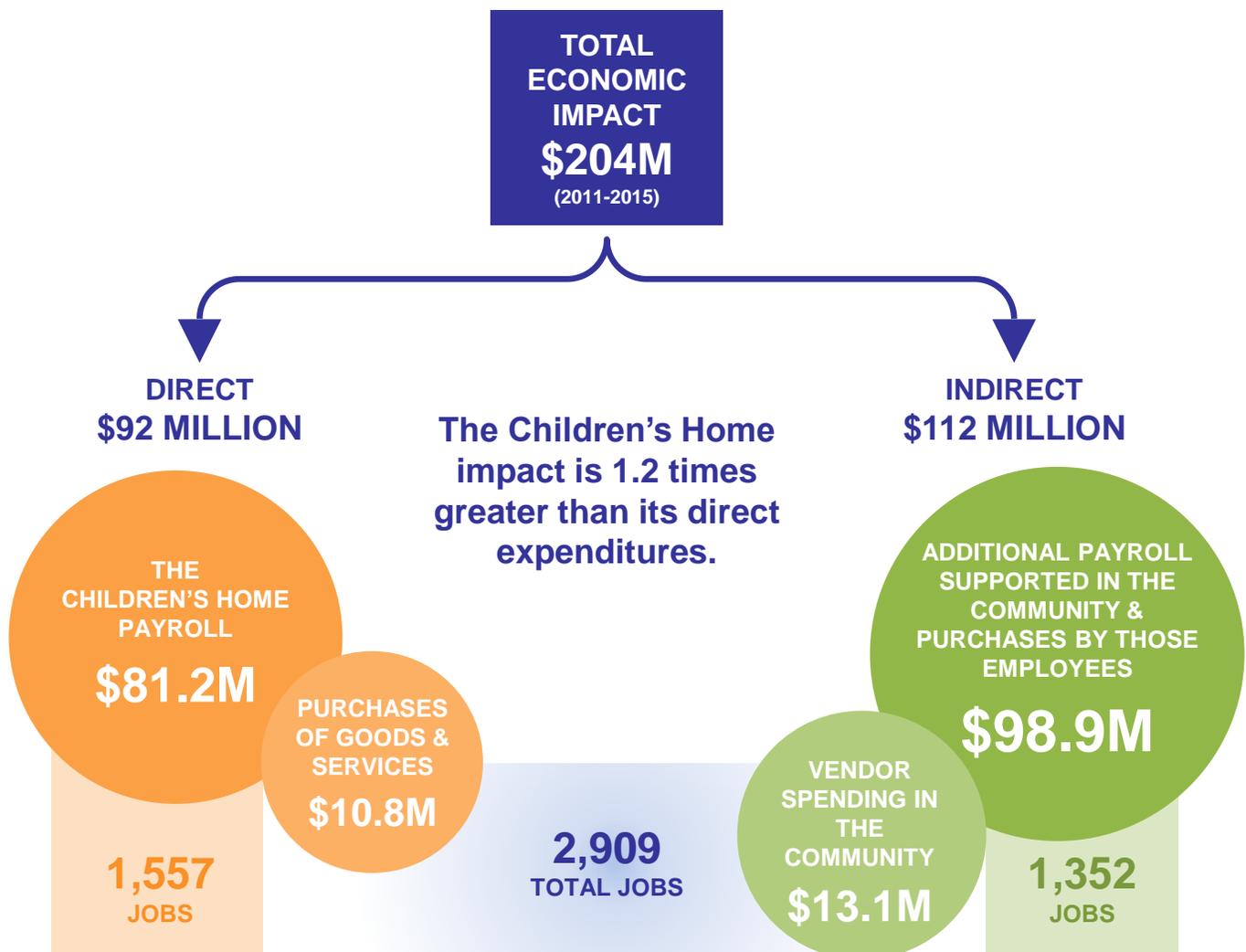
During fiscal years 2011-2015, the direct and indirect economic impacts created by The Children's Home on the Cincinnati MSA resulted from its operational expenditures, capital improvements, and revenues.

THE CHILDREN'S HOME ECONOMIC IMPACT

The Children's Home of Cincinnati has significant economic impacts on the Cincinnati MSA through its efforts in behavioral health treatment and therapeutic education services. Additionally, The Children's Home provides broad benefits to the Cincinnati MSA through its operations, capital improvements, and overall expenditures. Additionally, The Children's Home provides fiscal benefits to the City of Cincinnati through earnings taxes.

This study analyzes the direct and indirect economic impacts created by The Children's Home on the Cincinnati MSA resulting from its operational expenditures, capital improvements, and revenues during the fiscal years (FYs) 2011-2015 timeframe. The direct impacts resulted from the expenditures or revenues associated with the operations of The Children's Home, whereas the indirect impacts resulted from inter-industry purchases made as a result of the operations of The Children's Home as well as the purchases resulting from take-home pay by employees associated directly or indirectly with The Children's Home.

Further economic impacts stem from 'new money,' which is revenue received in the form of gifts, endowments, and grants from various organizations located outside of the Cincinnati MSA. These new money benefits exist only due to the existence of The Children's Home. While one could assume that local money spent within the Cincinnati MSA is inevitable, exogenous or outside funding was raised and spent entirely due to The Children's Home efforts and existence. Analyzing this new money is a way to communicate that, but for The Children's Home, these economic impacts would not have existed in the local economy.



Economic Impacts of Expenditures and Operations

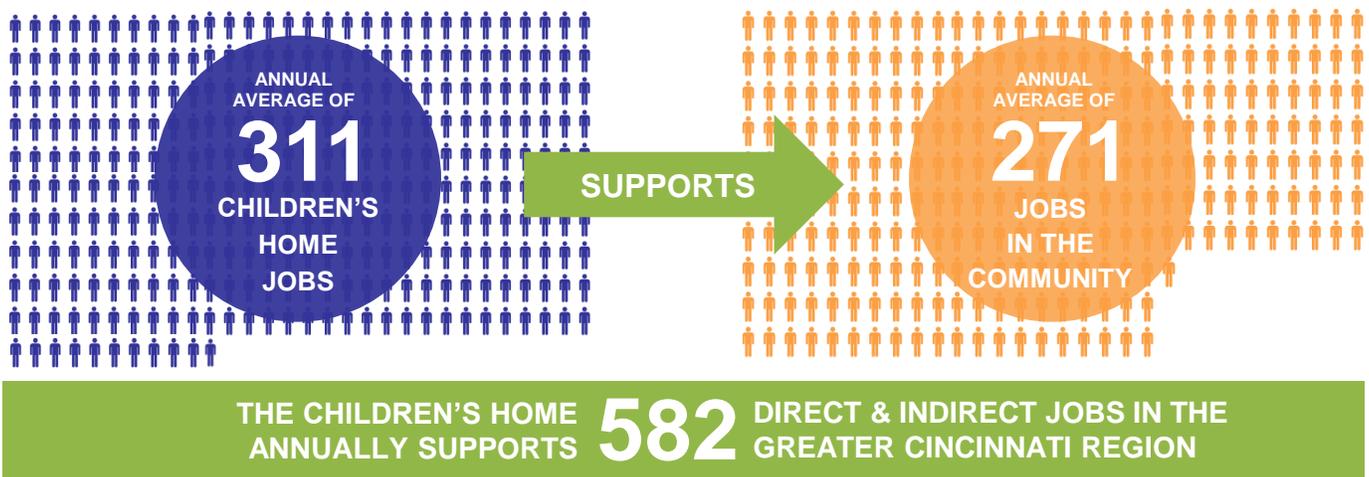
The Economics Center divided the impacts associated with expenditures and operations into two categories: compensation and benefits; and other expenditures. Compensation and benefits includes all of the salaries, employee benefits and payroll taxes, and all professional fees and contract service payments. Other expenditures include such things as supplies, travel, printing and publications, and membership dues. These expenditures (both compensation and benefits as well as other expenditures) were split in order to better assess and estimate the economic impact of The Children's Home.

From 2011 through 2015, The Children's Home had a significant impact on the Cincinnati MSA in terms of jobs, economic output, and earnings as demonstrated in Table 1 (see Appendix A).

Between 2011 and 2015, The Children's Home had an economic impact of over \$200 million dollars (in 2015 dollars). This average impact of \$40 million per year primarily stems from the compensation and benefits of employees and contract workers (approximately \$35 million per year) and the remainder is comprised of the other expenditures (approximately \$5 million per year).

In addition to the impact of the economic output on the Cincinnati MSA, The Children's Home also drives a significant amount of local employment. Between 2011 and 2015, an average of 582 individuals were employed each year due to the direct and indirect employment and expenditures of The Children's Home (see Table 2, Appendix A). Of these 582 jobs, an average of 311 were directly employed by The Children's Home. These jobs consist of any employment created directly through the operations of The Children's Home such as teachers, administrative, or facilities operations. The remaining 271 jobs on average consist of indirect jobs. The indirect jobs came from the numerous business-to-business transactions involved with The Children's Home (buying supplies, printing, and other expenditures), as well as due to the take-home wages of The Children's Home employees and how they spend their money in the local economy. For example, an employee of The Children's Home still purchases goods and services from others in the local economy due to their wages earned at The Children's Home.

This means that for every individual employed by The Children's Home between 2011 and 2015, almost one other individual within the Cincinnati MSA had a job due to The Children's Home's expenditures and their employees' daily spending.



In addition to the number of jobs that the Children's Home provides directly and indirectly, its employees also contribute to the fiscal well-being of the City of Cincinnati. Table 3 outlines the income tax revenues generated from direct wages at Children's Home. Between 2011 and 2015, the employees of Children's Home contributed more than \$1.1 million in tax revenue to the City of Cincinnati. This comes out to an average of \$227,000 per year. These fiscal benefits support roads, city services, and many other amenities in the City of Cincinnati.

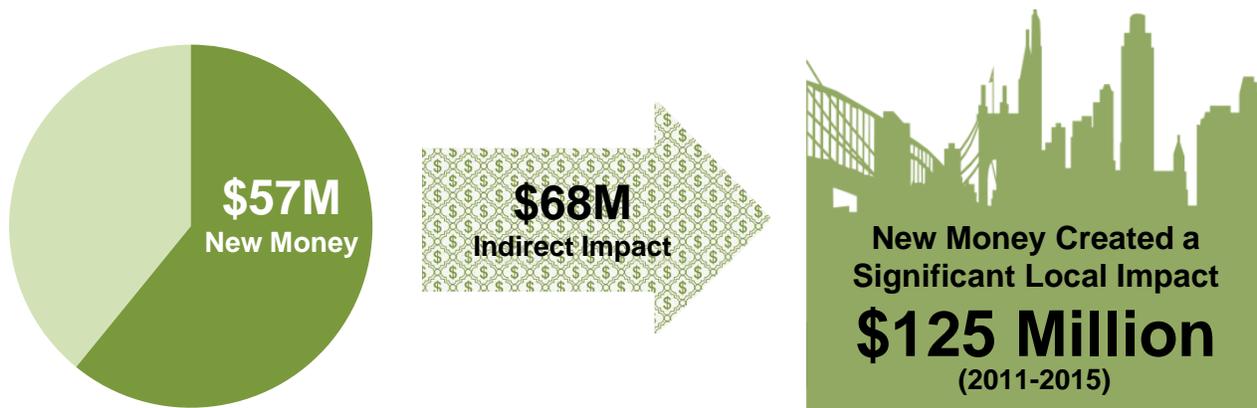
Economic Impact of New Money

A significant portion of the revenues generated between 2011 and 2015 by the Children’s Home came from outside sources. This money would not exist in the local economy without the existence of the Children’s Home. Local funds that support the Children’s Home have been netted out of the following calculations as it can be assumed that any local dollars that help fund the Children’s Home could support another local service provider. Therefore, the separating out of this new money exemplifies the importance and unique impact of the Children’s Home on the local economy. These figures are part of the above mentioned total economic impacts.

More than half of revenue received between 2011 and 2015 by the Children’s Home consists of new money. This money came in the form of grants, foundations, donations, federal and state support (netting out the local contributions), and contributions from other groups. This \$57 million of exogenous money paid for more than just the salaries of employees of the Children’s Home—it provided for funding for programming, education, and services for children across the Greater Cincinnati area.

Between 2011 and 2015, The Children’s Home directly spent over \$57 million of exogenous funds, which resulted in an additional \$68 million of indirect economic impact (all dollar figures have been adjusted to 2015 dollars). These indirect activities include inter-industrial ripple effects, for example the grants used for The Children’s Home’s operations within the region and purchases from other local producers. In total, The Children’s Home created a local impact of \$125 million due to bringing exogenous funds to the Greater Cincinnati area.

Over the past five years, there has been a gradual growth in the external revenues received, with notable increases in fiscal years 2013 and 2015. A significant portion of this exogenous funding comes from Medicaid payments through the State of Ohio. Other sources of the “new money” consist of revenues such as investment returns and the Every Child Succeeds Program.



CONCLUSION

As a leading provider of behavioral health and therapeutic education services, The Children’s Home of Cincinnati provides invaluable benefits to participants and the community at large. These services provide training and preparation for job-readiness, life-skills, early childhood education, and support and therapy to improve quality of life.

Between 2011 and 2015, The Children’s Home supported total employment for more than 2,000 people, over \$1.1 million of tax revenue for the City of Cincinnati, and \$204 million of total economic impact—of which \$125 million came from outside funding sources, or “new money”. This is in addition to changing the lives of nearly 7,000 children and families who benefit annually from services provided.

APPENDIX A: Data Tables

Table 1. Economic Impacts of Expenditures and Operations, 2011-2015 (2015 Dollars)

Year	2011	2012	2013	2014	2015	Total
Compensation and Benefits						
Direct Impact	\$14,871,000	\$15,845,000	\$16,789,000	\$17,048,000	\$16,626,000	\$81,179,000
Indirect Impact	\$18,106,000	\$19,291,000	\$20,440,000	\$20,756,000	\$20,242,000	\$98,835,000
Total	\$32,977,000	\$35,136,000	\$37,229,000	\$37,804,000	\$36,868,000	\$180,014,000
Other Agency Expenditures						
Direct Impact	\$1,929,000	\$2,141,000	\$2,597,000	\$2,016,000	\$2,105,000	\$10,788,000
Indirect Impact	\$2,348,000	\$2,607,000	\$3,163,000	\$2,454,000	\$2,562,000	\$13,134,000
Total	\$4,277,000	\$4,748,000	\$5,760,000	\$4,470,000	\$4,667,000	\$23,922,000
Economic Impact	\$37,254,000	\$39,884,000	\$42,989,000	\$42,274,000	\$41,535,000	\$203,936,000

Table 2. Economic Impact on Employment due to Expenditures

Year	2011	2012	2013	2014	2015	Total
Direct Jobs	300	369	337	296	255	1,557
Indirect Jobs	249	291	302	258	252	1,352
Total	549	660	639	554	507	2,909

Table 3. Earnings Tax Collected from Children's Home of Greater Cincinnati Employees

Year	2011	2012	2013	2014	2015	Total
Local Earnings Tax Collected by the City of Cincinnati	\$207,000	\$222,000	\$227,000	\$236,000	\$244,000	\$1,135,000

Table 4. Economic Impacts of "New Money" (2015 Dollars)

Year	2011	2012	2013	2014	2015	Total
Direct Impact	\$10,980,000	\$10,907,000	\$11,322,000	\$11,257,000	\$12,079,000	\$56,545,000
Indirect Impact	\$13,367,000	\$13,280,000	\$13,784,000	\$13,705,000	\$14,707,000	\$68,843,000
Total	\$24,347,000	\$24,187,000	\$25,106,000	\$24,962,000	\$26,786,000	\$125,388,000

APPENDIX B: Methodology

Economic impact figures represent the effects that a given development project and its associated economic activities have upon a surrounding community. The dollars spent by an organization and its employees circulate within a local economy by being spent on goods and services provided by local businesses, which are in turn spent at other establishments and by local households.

The Economics Center calculated the impact of The Children's Home of Cincinnati's expenditures and operations from fiscal year 2011 through fiscal year 2015 using budgetary data provided by the client. These data were used in an input-output model, which measures goods and services produced in each industry and the use of those goods and services by other industries and households.

Input-output models give a picture of the direct and indirect impacts of a given business or organization. The direct impacts of the project are measured in terms of the total costs of operating The Children's Home, and in terms of the wages paid to its employees. In turn, operating The Children's Home supports jobs and spending in other industries, which comprise the indirect impacts. Finally, the direct and indirect impacts of inter-industry spending create induced impacts due to the spending of private households.

Multipliers are figures that represent all the inter-industry and household economic relationships measured in the input-output model. For every dollar spent by a given organization in a particular industry, multipliers reflect how many more dollars will be spent in a local economy by other businesses and households, thereby determining the total economic impact of a project or investment. The multipliers reflect two sets of economic impacts: first, the direct number of jobs and wages; and second, the final effects, which add the indirect and induced impacts to the direct ones.

This model, its constituent tables, and resulting multipliers are part of the BEA's RIMS II project (Regional Industrial Multiplier System), which covers both the state and County levels throughout the United States.

Each industry in a given locale has its own multiplier, reflecting its relationship to the rest of the local economy. Applying the relevant multipliers for each industry allowed the Economics Center to give a realistic picture of the economic impact of The Children's Home added to the local economy between fiscal years 2011 and 2015.

For instance, Construction has an industry code of 23, and this industry has a final-demand spending multiplier of 1.55, which means that for every \$1 million spent by that industry in the MSA, another \$550,000 of economic activity results. Additionally, this industry has an employment multiplier of 6.9 so, for every \$1 million spent in Construction, approximately 7 jobs are supported annually in the rest of the economy.