

Using Imputed Multipliers As A Tool For Economic Development: St. Johns County Example

By

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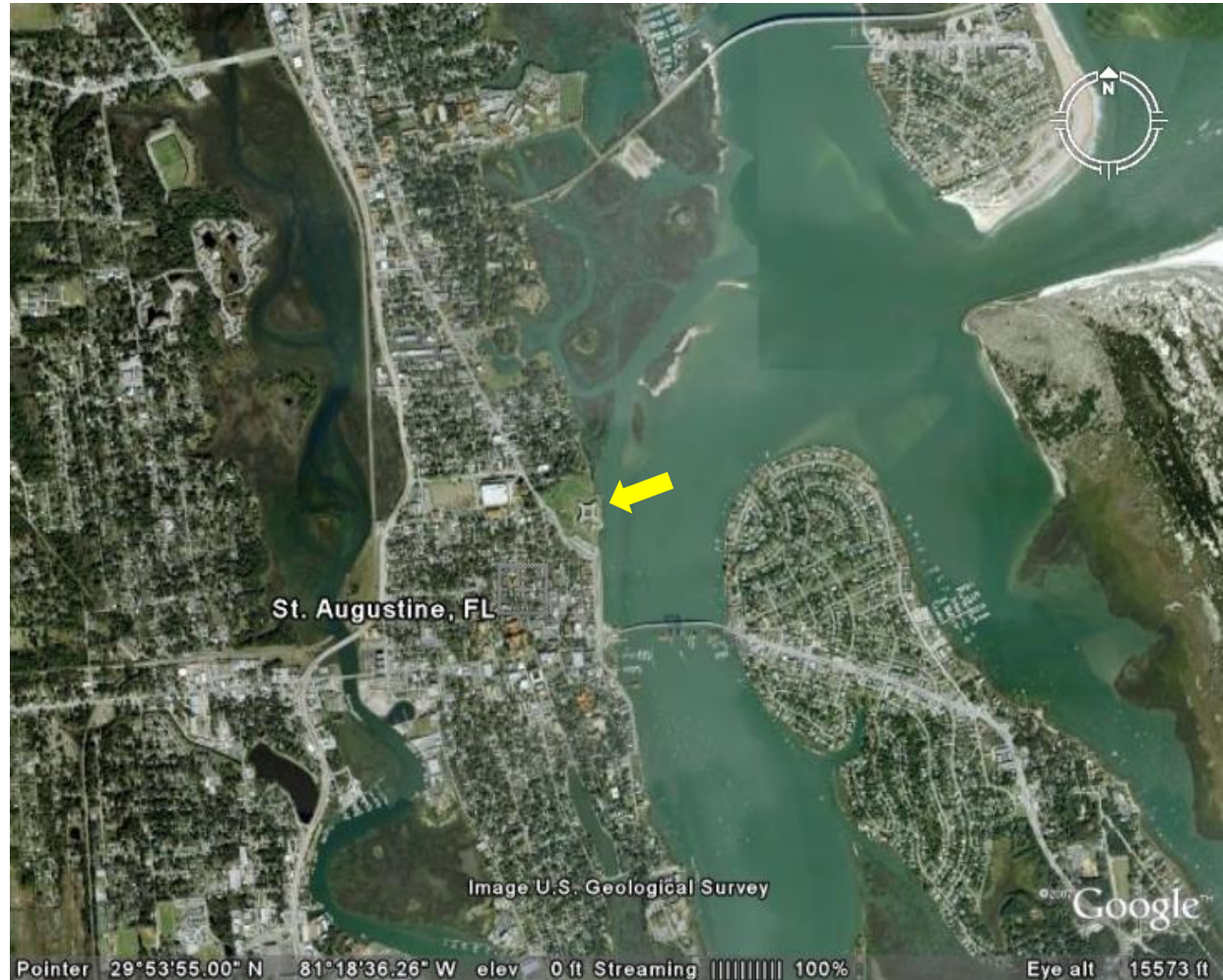


Food and Resource Economics

Material preparation assistance by Mohammad Rahmani



St. Augustine From 15,573 Feet



St. Augustine From 1,573 Feet



Workshop Will Be The 15,573 Feet View Of Economic Development In St. Johns County

Too many economic development decisions are made without “realistic” information: beliefs, myths, hearsay, anecdotal are common sources

This in turns leads to un-informed decisions

This can lead to unrealistic results and expectations

Common Concerns? It Costs Too Much And Info Is Not Readily Available. Not True!



The Attitude Of: It Costs Too Much or Data Isn't Available

- ☑ This can lead to unrealistic results and expectations
- ☑ It may lead to overlooking firms and industries that could contribute to the area in terms of output and employment
- ☑ It may lead to inefficient allocation of fiscal resource to “grow”, “retain” or “attract” firms and industries
- ☑ Tools are available that can help assess economic development and not all “cost an arm and a leg”





Some Basics To Start With

Basics...

**Is There A Cookie-Cutter
Approach To Economic
Development ?**

NO!



Basics..

Many entities are searching for the same type of economic development:

☒ 500-1000 employees

☒ Higher than prevailing wage rates

☒ Medical, biotechnology and bio-fuels related



Reality Check!!!

2007 Florida Business Startups: 125,717
2007 Florida Business Closings: 133,250
2007 Florida Employer Firms: 430,400
2007 Employer Firms (19 or less employed): 390,800
(91%)

2007 National Business Startups: 1,464,000
2007 National Business Failures: 1,442,000
2007 National Employer Firms: 6,022,100
2007 National Employer Firms (19 or less
employed): 5,377,600 (89%)

National Statistics: 4 Out Of 5 Won't Last 5 Years

Basics...

Four Economic Development Choices...

- ◆ Attract New Industry
- ◆ Retain and Expand Existing Industry
- ◆ Cultivate New Entrepreneurial Attitudes
- ◆ Stop Leakages



Basics...

Understanding Your County's Economy

The local economy consists of two distinct types of activities:

- ❖ *Basic industries* that sell goods and services to markets located outside the local area, and
- ❖ *Service industries* that provide goods and services to local businesses and residents



Understanding Your County's Economy

What's the difference between basic and service industries:

Basic industries:

- ✓ *attract money from outside* into the local economy; this money then circulates within the local area through spending and re-spending by local service industries and employees of local businesses
- ✓ money generated by the basic industries starts the spending chain that supports the services segment of the local economy.
- ✓ new dollars eventually are lost from the local economy (leakages) in the form of tax payments to state and federal government, savings, profits that accrue to non-residents, and payments for goods and services imported from outside the local



Understanding Your County's Economy

What's the difference between basic and service industries:

Service industries:

- ✓ consist of business firms that *serve local markets*
- ✓ the key factor that distinguishes basic from service activity is the location of the market served and not the type of goods or services provided



Understanding Your County's Economy

Important facts to remember:

- ◆ size of the multiplier depends on the level of local spending
- ◆ firms that purchase more local inputs have higher multipliers
- ◆ The total impact for an industry also depends on the level of sales outside the local region
- ◆ firms with greater external sales have greater impacts
- ◆ **Good: Larger sales outside local region and purchase of more local inputs**



Other Info...

- ❖ **IMPLAN Model**
- ❖ **Example constructed for St. Johns County; funded by St. Johns County and PWACS (Partnership for Water and Agriculture Community Sustainability); total cost less than \$3000**
- ❖ **Information presented should be considered “directional”**



Table 1. St. Johns County Industry Output, Impacts, Exports and Imputed Multipliers.

Industry Group	Industry Output (\$M)	Output Impacts (\$M)	Total Exports (\$M)	Total Exports as % of Total Output	Total Output Impacts/Total Industry Output
Agriculture, Natural Resources, Related Manufacturing & Services	1,004	1,271	382	38.0%	1.27
Food & Kindred Prod. Manufacturing & Distribution	776	923	226	29.1%	1.19
Ag., Nat. Resources and Mining Production	228	348	156	68.4%	1.53
Construction	742	777	49	6.6%	1.05
Consumer Services	327	426	115	35.1%	1.30
Education*	68	81	0	0.3%	1.19
Government	550	552	2	0.4%	1.00
Health Care*	453	498	0	0.0%	1.10
Households	758	758	0	0.0%	1.00
Information and Communications	164	177	15	9.0%	1.08
Manufacturing	952	1,333	787	82.7%	1.40
Professional and Technical Services	634	774	153	24.1%	1.22
Real Estate and Financial Services	956	1,209	273	28.6%	1.27
Retail Trade*	471	561	55	11.6%	1.19
Social Services & Organizations	205	306	114	55.7%	1.50
Transportation	98	118	24	24.6%	1.21
Travel and Entertainment Services	328	490	181	55.1%	1.50
Utilities	127	133	16	12.7%	1.05
Wholesale Trade	388	417	32	8.2%	1.07
Grand Total	8,224	9,835	2,198	26.7%	1.20

*calculated at state average



Table 1 Info

- ✓ Info presented in Table 1 displays results for 17 industry sectors in St. Johns County: industry output, total output impacts (direct, indirect, induced), exports, percent of output exported and an imputed output multiplier
- ✓ Table 1 indicates that output in the county is about \$8.2 billion and output impacts are \$9.8 billion
- ✓ For every \$1 you increase county output the model indicates on average you generate about \$1.20 in economic activity (direct, indirect, induced)



Table 1 Info Continued...

- ▶ Who would have guessed the most economic activity generated from a \$1 increase in output would have been the Agriculture, Natural Resources and Mining Production Industry Sector in St. Johns County

- ▶ Other leading industry sectors are:
 - ▶ Travel and Entertainment Services
 - ▶ Social Services and Organizations
 - ▶ Manufacturing

- ▶ That does not imply you overlook:
 - ▶ Real Estate and Financial Services
 - ▶ Professional and Technical Services
 - ▶ Retail Trade
 - ▶ Wholesale Trade



Table 2. St. Johns County Commodity (Agriculture, Natural Resource, Food and Kindred Products Manufacturing and Distribution) Output, Impacts, Exports and Imputed Multipliers

Commodity Group (Agriculture, Natural Resources, and Kindred Group)	Industry Output (\$M)	Output Impacts (\$M)	Total Exports (\$M)	Total Exports as % of Total Output	Total Output Impacts/Total Industry Output
Agricultural Inputs & Services	68.20	92.82	33.39	49.0%	1.36
Landscape services	35.11	45.41	14.08	40.1%	1.29
Pest control services	10.75	13.90	4.31	40.1%	1.29
Veterinary services	20.82	31.49	14.24	68.4%	1.51
Crop, Livestock, Forestry & Fisheries Production	102.43	162.89	77.97	76.1%	1.59
Cattle ranching and farming	0.63	0.92	0.58	92.1%	1.46
Forest nurseries, forest products and timber tracts	1.72	3.36	1.88	100.0%	1.96
Greenhouse- nursery- and floriculture product	16.59	23.75	8.93	53.8%	1.43
Support activities for agriculture and forest	5.42	5.42	0.01	0.1%	1.00
Vegetable and melon farming	75.23	125.89	65.60	87.2%	1.67
Food & Kindred Products Distribution	697.93	817.68	153.43	22.0%	1.17
Wholesale trade, food & kindred products	97.10	104.27	7.94	8.2%	1.07
Food & Kindred Products Manufacturing	77.79	105.30	73.04	93.9%	1.35
Seasoning and dressing manufacturing	0.51	0.52	0.02	4.2%	1.02
Soft drink and ice manufacturing	65.84	89.32	62.95	95.6%	1.36
Forest Products Manufacturing	5.25	6.98	2.88	54.8%	1.33
Mining	17.48	27.95	14.78	84.5%	1.60
Sand, gravel, clay and ceramic and refractory minerals	14.80	25.05	14.05	94.9%	1.69
Nature-based Recreation	34.51	57.17	26.10	75.6%	1.66
Golf courses	28.56	47.32	21.60	75.6%	1.66
Recreational fishing	5.95	9.86	4.50	75.6%	1.66



Table 2 Info

- ❑ Table 2 presents more detail for the Agriculture, Natural Resources and Mining Production Industry Sector

- ❑ Economic activity generated from an increase in output activity largest in:
 - ❑ Forest nurseries, forest products and timber tracts
 - ❑ Sand, gravel, clay and ceramic and refractory minerals
 - ❑ Vegetable and melon farming
 - ❑ Golf courses
 - ❑ Recreational fishing
 - ❑ Veterinary services

- ❑ All considerably higher than county average



Table 2 Info Continued...

Repeating What Was Said Before:

The info does not imply you overlook:

- ▶ **Real Estate and Financial Services**
- ▶ **Professional and Technical Services**
- ▶ **Retail Trade**
- ▶ **Wholesale Trade**



Table 3. St. Johns County Targeted Industry and Commodity Output, Impacts, Exports and Imputed Multipliers (from St. Johns Target Industry Study: An Update).

Commodity Group: Targeted Industry	Industry Output (\$M)	Output Impacts (\$M)	Total Exports (\$M)	Total Exports as % of Total Output	Total Output Impacts/Total Industry Output
Consumer Services	327.34	425.52	115.04	35.1%	1.30
(Automotive)					
Automotive equipment rental and leasing	10.11	10.94	0.97	9.9%	1.08
Automotive repair and maintenance- except car washes	39.49	39.50	0.00	0.0%	1.00
Health Care Medical and Health Services *	452.68	498.00	0.04	0.0%	1.10
(Medical. Products.)					
Home health care services	19.50	21.50	0.00	0.0%	1.10
Medical and diagnostic labs and outpatient and ambulatory services	14.85	16.33	0.00	0.0%	1.10
Nursing and residential care facilities	59.69	65.66	0.00	0.0%	1.10
Offices of physicians- dentists- and other health practitioners	201.58	221.74	0.00	0.0%	1.10
Private hospitals	157.07	172.78	0.03	0.0%	1.10
*calculated at state average					
Manufacturing	951.89	1,332.83	786.83	82.7%	1.40
(Automotive, Aviation, Other Industry)					
Surgical and medical instrument manufacturing	2.15	2.65	0.69	31.8%	1.23
Aircraft manufacturing	65.22	93.88	57.61	88.3%	1.44
Printed circuit assembly (electronic assembly)	33.18	47.12	21.56	65.1%	1.42
Ship building and repairing	13.32	22.87	13.21	99.2%	1.72
Automobile manufacturing	2.11	2.24	0.37	19.0%	1.06
Food & Kindred Products Distribution	697.93	817.68	153.43	22.0%	1.17
Wholesale trade, food & kindred products	97.10	104.27	7.94	8.2%	1.07
Wholesale Trade (Distribution and Logistics)	388.42	417.08	31.75	8.2%	1.07
Wholesale trade, other products	388.42	417.08	31.75	8.2%	1.07



Table 3 Info

- ❖ Table 3 looks the imputed multipliers of industry examples that were identified as targeted industry for economic growth in St. Johns County (from St. Johns Target Industry Study: An Update, URBANOMICS, Inc.)
- ❖ Examples of industry to be considered for “targeted growth” included:
 - ❖ Aviation and Automotive Industries
 - ❖ Food Products and Distribution
 - ❖ Medical Products and Health Sciences
 - ❖ Distribution and Logistics



Table 3 Info Continued...

- ☑ Imputed multipliers for:
 - ☑ Automotive consumer Service, <1.08
 - ☑ Automotive manufacturing, 1.06
 - ☑ Health care medical and health services, 1.10
 - ☑ Surgical and medical instrument manufacturing, 1.23
 - ☑ Food and kindred products distribution, 1.07
 - ☑ Wholesale trade, 1.07
 - ☑ Note others such as aircraft manufacturing, ship building and repair, aircraft manufacturing, printed circuit assembly, etc.

- ❖ Many of the “targeted” industries have imputed multipliers less than the county average of 1.20



Questions To Answer???

- ❌ What does this info tell you in terms of industry in the county that would generate the most economic activity?

- ❌ Based on this basic analysis why is agriculture, natural resource and mining overlooked from an economic perspective?

- ❌ **Remember:** You can't overlook that economic development is more than just economic analysis, including factors such as environmental, community values, industry diversification etc.

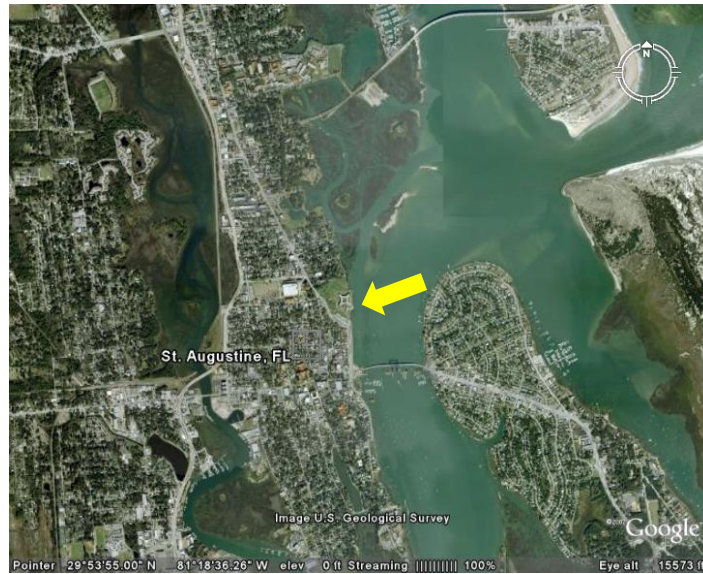


Summary

- ☑ We can't afford to make economic development decisions on myths, beliefs, hearsay and anecdotal information
- ☑ Costs associated with obtaining some basic economic development information aren't necessarily prohibitive
- ☑ Otherwise, important economic development opportunities may be overlooked
- ☑ Agriculture, natural resource and mining industries are an example in St. Johns County



Econ. Develop.: A 15,000 or 1,500 Foot View; Either Is Better Than None!



A Thought...

Agriculture And Natural Resources Shouldn't Be Invisible When Thinking of Local Economic Development!

“Well, you know, we sit here and we talk about the importance of agriculture, but something that's very troubling to me is, when we talk about economic development, agriculture's invisible.”

Convening the Community: Creating the Political Will for Creative Change, A project of the Kalamazoo Consortium of Higher Education, sponsored by Kalamazoo College and Western Michigan University



Good Luck!



Rodney L. Clouser



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