



Valley Initiative for Development and Advancement

2015 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 through: 1) its operating expenses to administer its program and services and 2) wage increases that VIDA graduates earn after they complete their training and start working.

In fiscal year 2013-2014¹, VIDA spent \$2.4 million for its operating budget to administer its programs and services. VIDA graduates spent \$12.2 million in wage increases. This spending by VIDA and its graduates creates and supports additional jobs, income, taxes and output in the local economy, through the multiplier effect.

Altogether, spending made by VIDA for operating expenses (administrative expenses, training and program services) and VIDA graduates' wage increases supports 579 jobs, generates \$5.8 million in labor income, adds \$9.5 million in value added, creates \$915,561 in state and local tax, for a total economic output of \$29.6 million in the local economy (See Table 1).

	Output	Employment	Labor Income	Value Added
Direct Effect	\$14,702,621	443	\$1,308,210	\$1,254,529
Indirect Effect	\$676,360	7	\$178,925	\$357,083
Induced Effect	\$14,192,405	129	\$4,314,179	\$7,905,623
Total Effect	\$29,571,387	579	\$5,801,314	\$9,517,235

Table 1. Economic Impact – VIDA Total

¹ Fiscal year, 2013-2014. Using baseline year 2011-2012 for enrollment and graduation.

INTRODUCTION

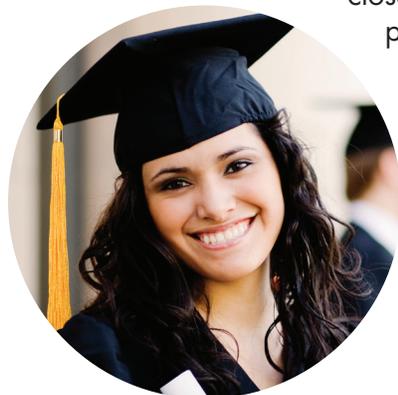
The Rio Grande Valley has experienced tremendous growth within the last ten years. The young and rapidly growing population fuels an ever-increasing demand for housing, health care, education, consumer good, transportation and government services. Despite this growth, the Rio Grande Valley counties of 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 educational attainment rates 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 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 20th year of operation and has utilized a job training model that has attracted national recognition².

VIDA receives funding from local (cities and counties), state, federal funding, individual and business donors, and private foundations. Through education and training providers—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 or complete the last two years of a bachelor’s degree, and secure employment in demand occupations. Participants receive tuition assistance and support services, including career counseling.

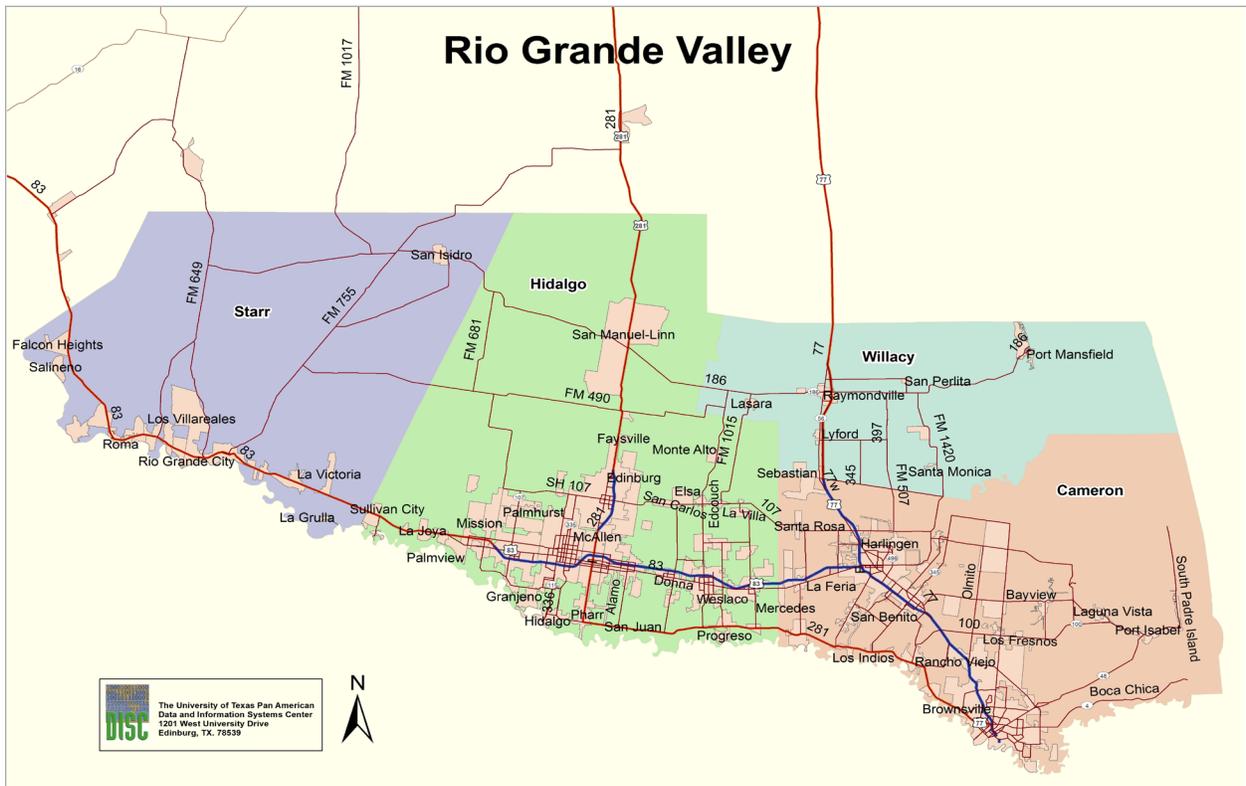
To date VIDA has helped over 7,000 Valley adult residents in their quest for education and training in targeted demand occupations. Graduates in fiscal year 2013-2014 earned an average reported wage of over \$18.86 per hour or \$37,710 a year.



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 Pathways for Advancing Careers and Education (PACE) CAREER PATHWAYS PROGRAM PROFILE: VIDA: <http://careerpathways.org/>

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 in the Rio Grande Valley (See Map 1).



Map 1. Rio Grande Valley

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 and start working. 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.

Total Revenue	\$2,822,453
Expenses:	
Program Services	\$2,241,102
Supporting Services:	
General & Administrative	\$225,812
Total Operating Expenses	\$2,439,914

Table 2. VIDA Operating Budget '13-'14

A. VIDA Operating Expenses

VIDA revenue for fiscal year 2013-2014 is \$2.8 million (See Table 2). Of this amount, VIDA budgeted \$2.4 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 \$1.19 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 services, supplies, computer hardware and software, rent, advertising, training, insurance, telephone and Internet, postage, and other miscellaneous expenses that are made to businesses and employees (See Exhibit B).

The \$2.4 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 76 jobs, generates \$1.8 million in labor income, adds \$2.2 million in value added, creates \$54,299 in sales taxes and \$45,819 in property taxes, for an economic output of \$4.2 million (See Table 3).

	Output	Employment	Labor Income	Value Added
Direct Effect	\$2,439,914	60	\$1,308,210	\$1,254,529
Indirect Effect	\$676,360	7	\$178,925	\$357,083
Induced Effect	\$1,077,019	10	\$322,702	\$599,848
Total Effect	\$4,193,293	76	\$1,809,838	\$2,211,460
State Tax	\$54,299			
Property Tax	\$45,819			

Table 3. Economic Impact – VIDA Operating Expenses

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 and start working. 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, 571 participants—143 students were unemployed; 308 were on public assistance, with an average salary of \$18,500, and an average household size of 3 or more per family; and 57 were underemployed, with an average salary of less than \$17,368—were enrolled in VIDA programs in 2013-2014 (See Figure 1).

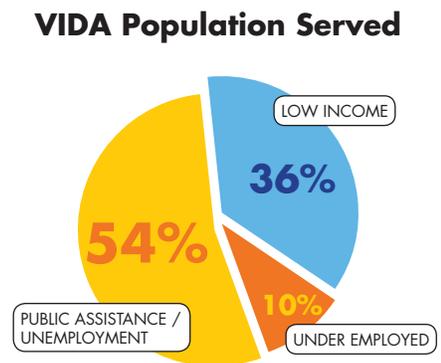


Figure 1. VIDA Participants Before the Program

With a 67% graduation rate, a total of 383 graduates were placed at an average annual starting salary of \$37,710. This generates a \$14.4 million increase in wages. In order to estimate the economic impacts of increase in wages and payroll, the direct salary and wage expenditures were discounted by 15 percent to account for average tax burden, with the remainder representing disposable income of \$12.2 million. Based on the analysis, the wage increase of \$12.2 million creates 503 jobs and \$922,319 in state and local tax, for a total economic output of \$25.3 million (See Table 4).

Economic Impacts	Direct	Secondary	Total
Output	\$12,262,707	\$13,115,286	\$25,378,094
Employment	383	120	503
State & Local Tax Total			\$922,319

Source: VIDA Annual Report 2013-2014, UTPA Data and Information Systems Center.
Table 4. Economic Impact – VIDA Graduate Wage Increases

After completing training, VIDA participants see an increase of 106 percent in total output. They also experience an increase in labor income by 104 percent and see an increase in total value added to the local economy by 104 percent (See Figure 2).

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 a total of 579 jobs, generates \$5.8 million in labor income, adds \$9.5 million in value added, creates \$915,561 in State and Local Tax, for a total economic output of \$29.6 million (See Table 5).

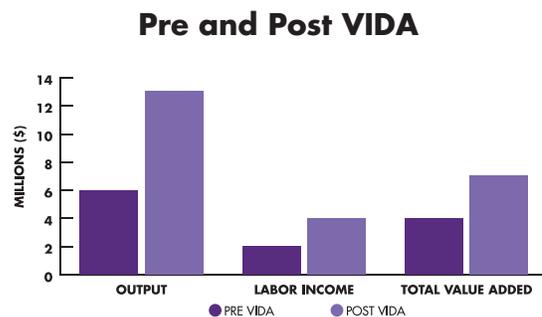


Figure 2. Change from Pre and Post VIDA

	Output	Employment	Labor Income	Value Added
Direct Effect	\$14,702,621	443	\$1,308,210	\$1,254,529
Indirect Effect	\$676,360	7	\$178,925	\$357,083
Induced Effect	\$14,192,405	129	\$4,314,179	\$7,905,623
Total Effect	\$29,571,387	579	\$5,801,314	\$9,517,235
State & Local Tax Total	\$915,561			

Table 5. Economic Impact – VIDA Total

METHODOLOGY

This study estimates the economic impact created by VIDA. With local unemployment rate very high, an economic impact analysis of VIDA aims to help local leaders, the business community, and the investors gain perspective on how the funding invested in VIDA benefits 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 an 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)



Valley Initiative for Development and Advancement

www.vidacareers.org

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