

Region I Voluntary Providers to the Developmentally Disabled Economic and Fiscal Impact

February, 2016

Prepared for:

Developmental Disability Alliance of Western New York (DDAWNY)

Prepared by:

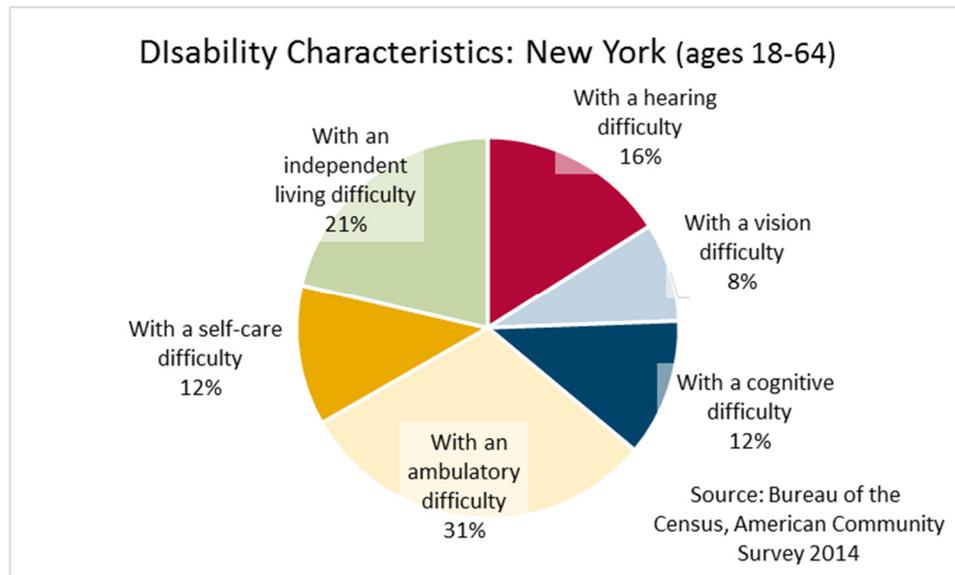
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Summary

Over two million New Yorkers report having a disability, according to the Census Bureau. This population, in part, is served by a large number of voluntary service agencies, many of which are members of the Developmental Disability Alliance of Western New York (DDAWNY). These agencies provide a range of services including adult day programs, family support services/training, health/clinic, early intervention/school age, recreation, residential/housing, respite, service coordination, transportation and vocational/employment.



Significant Economic Impact

DDAWNY engaged CGR to measure the economic impact of the Region I voluntary providers to the developmentally disabled. Twenty six voluntary agencies responded to the online survey used to collect data. CGR estimated the economic impact based on this data supplemented with other authoritative data sets, particularly agency IRS Form 990 submissions. The following table summarizes our estimates:

Table 1 – Economic Impact of Region I Voluntary Providers
(dollars in millions)

	Direct	Spillover	Total
Employment	29,600	8,700	38,500
Payroll	\$742	\$504	\$1,246
Income Tax	\$10	\$19	\$29
Sales Tax	\$16	\$11	\$27

Savings for Taxpayers

These agencies provide service to the developmentally disabled under contract with the state and federal governments, thus providing services that would otherwise be provided directly by the public sector. CGR was asked to estimate what it would cost to have public sector agencies provide the same services. CGR assumed that worker productivity and non-staff spending is the same between public and private sector agencies. For two reasons, the total cost to the taxpayer of this model of service delivery is much lower:

First, due to the difference in salaries, CGR estimates that the same services provided by public sector employees would cost about three times as much. **Region I voluntary providers are able to provide the same level of service as public sector agencies but spend about \$2.5 billion less doing it.**

Second, these voluntary agencies expend significant effort raising philanthropic sums to support their work. **Foundation grants, corporate philanthropy and endowment earnings total one-quarter of non-fee revenue.** Not only would twice the resources be required, but public funding would have to be increased by taxation.

Risk of Minimum Wage Hike

The agencies that are the subject of this study care for the most vulnerable of New York's residents and are motivated by a sense of mission, not profit. It is in this spirit that DDAWNY asked that CGR extend its analysis to the impact of the proposed \$15 minimum wage on their ability to continue providing these critically-needed services.

Assisted by the one of the larger DDAWNY members, Aspire, CGR reports that two-thirds of Aspire's workforce currently earns below \$15 per hour. Bringing these workers' wages to \$15 would increase total payroll by 15%. This would also spur demand for an increase in wages for those earning just above \$15. Were the wages of the 9% of Aspire workers earning between \$15 and \$18 per hour to go up by \$2 per hour, total labor cost would rise by an additional 1%.

If these percentages are representative of all 91 agencies, **this higher minimum wage would increase the cost of their services by \$117 million.** Either services would have to be reduced or these funds would need to be forthcoming from state and federal taxpayers.

Acknowledgements

CGR would like to thank the staff at DDAWNY for their help in gathering data. In particular CGR would like to thank Wendy McCarthy, DDAWNY Association Manager, for orchestrating data collection.

Staff Team

Kent Gardner, Ph.D., Chief Economist, provided oversight and input to methodological process, advised the study team and reviewed impact results.

Mike Silva, Data Analyst, organized and analyzed data, helped define consistent methodology, and contributed to drafting the report.

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Region I Voluntary Providers' Economic & Fiscal Impact

CGR measured the economic impact primarily in terms of jobs and payroll. The payroll from these jobs result in the income tax revenue to the state and sales tax revenue to the state and local governments.

Jobs and Payroll

Direct Effects

Based on the survey results supplemented with data extracted from 990's Region I voluntary providers to the developmentally disabled directly employ about 29,600 FTEs earning an annual payroll of roughly \$742 million. Staff related expenses (i.e. salaries/wages and benefits) makes up a 73% of their expenses. CGR assumes all of the employment and payroll was received by NYS residents.

Spillover Effects

The economic impact extends beyond these direct effects. The region I voluntary providers make purchases from local suppliers, spurring additional jobs and payroll among supplier firms. Their employees spend a substantial share of their paychecks within their local communities, too, spurring jobs and payroll among retailers and service providers. Both types of spending generate jobs as the money flows through the economy. In economic impact terms these effects are referred to as indirect—economic activity spurred by the firm's supply chain—and induced—economic activity stimulated by the consumption of employees. CGR employed IMPLAN, a regional input-output modeling system, to estimate the spillover economic impact at the New York State level. IMPLAN is widely acknowledged to be a credible tool for estimating economic activity.

The IMPLAN database, created by MIG, Inc., consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectorial activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Data are updated annually. IMPLAN estimates the direct, indirect and induced impacts of economic change through the use of multipliers, and estimates the impact of an increase in demand in a particular sector on 440 different industries/sectors of the local economy.

Based on the IMPLAN multipliers, spending by region I voluntary providers creates an additional 1,700 jobs with a payroll of about \$114 million. Employee spending added roughly 7,200 jobs with a payroll of about \$390 million. The following table summarizes the spillover effect employment and payroll estimates:

Table 2 – Estimated Spillover Effects
(dollars in millions)

	Employment	Payroll
Indirect	1,700	\$114
Induced	7,200	\$390
Total Spillover	8,900	\$504

Note: Total may not sum due to rounding.

Income and Sales Tax

CGR employed New York State Department of Taxation statistics on effective income tax rates in estimating the income tax revenue. We estimate that in total, about \$29 million dollars of income tax revenue to New York State is generated annually. \$10 million is directly attributable to the Region I voluntary providers, and \$19 million results from spillover effects.

Using New York State Department of Taxation statistics on sales taxable purchased and Bureau of Economic Analysis estimates of personal income, CGR estimates 37% of personal income in New York State is spent on sales taxable purchases. Assuming an 8% sales tax rate, we estimate that about \$26 million dollars in sales tax revenue is generated in total. \$16 million directly from the employee spending of the Region I voluntary providers and the remainder from spillover effect employee spending. The following table summarizes these impacts:

Table 3 – Estimated Annual Income and Sales Tax Revenue
(dollars in millions)

	Income Tax	Sales Tax
Direct	\$10	\$16
Spillover	\$19	\$11
Total	\$29	\$27

Summary

The Region I voluntary providers to the developmentally disabled have a substantial impact in New York State. These agencies directly employ about 29,600 and through spillover effects, provide jobs to 8,900 others for a total employment impact of 38,500 jobs. The total payroll impact is \$1.2 billion, \$742 million directly paid to the Region I agency employees annually. This income generates an estimated \$29 million in income tax to New York State and about \$27 million in sales tax to the state and local governments annually.

Table 4 – Economic Impact of Region I Voluntary Providers
(dollars in millions)

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Public Sector Comparison

CGR was asked to estimate what it would cost to have public sector agencies provide the same services. CGR assumed that worker productivity is the same for public and private sector employees. Consequently there is no difference in the number of workers. CGR further assumed that non-staff spending is the same between public and private sector agencies. CGR used IMPLAN to estimate public sector salary and BLS public sector health and social services employee fringe rates is calculating public sector costs. CGR estimates that if the same services were provided by public sector employees it would cost almost three times as much. Region I voluntary providers members are able to provide the same level of service as public sector agencies but spend about \$2.5 billion less.

Table 5 – Private vs. Public Sector Spending
(dollars in millions)

	Region I Providers	Public Sector	Savings
Wages & salaries	\$742	\$2,205	\$1,463
Employee benefits	\$220	\$1,278	\$1,058
Non-staff purchases Inside New York State	\$313	\$313	\$0
Non-staff purchases Outside New York State	\$44	\$44	\$0
Total	\$1,319	\$3,840	\$2,521

Another key distinction between the Region I voluntary providers and public sector agencies would be the source of revenue. If the services were provided by the public sector, part of their current operations that would have been supported by foundations would have to be raised by taxation or higher user fees.

Table 6 – Estimated Region I Voluntary Provider Revenue by Source
(dollars in millions)

	Total Revenue
Fees earned from programs	\$1,048
Government grants	\$175
Other sources	\$140
Total	\$1,364

Impact of \$15 Minimum Wage

The agencies that are the subject of this study care for the most vulnerable of New York's residents and are motivated by a sense of mission, not profit. It is in this spirit that DDAWNY asked that CGR extend its analysis to the impact of the proposed \$15 minimum wage on their ability to continue providing these critically-needed services.

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If these percentages are representative of all 91 agencies, **this higher minimum wage would increase the cost of their services by \$117 million.** Either services would have to be reduced or these funds would need to be forthcoming from state and federal taxpayers.

Conclusion

Based on data collected, CGR estimates that the Region I voluntary provider bring the following economic benefits to New York State:

- About 38,500 jobs;
- \$1.2 billion in payroll annually;
- \$29 million in income tax revenue annually;
- \$27 million in sales tax revenue to the state and local governments annually.