

Development Management Group, Inc.

economic development fiscal & economic impact analysis development management



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Executive Summary

Imperial Valley College has been serving the needs of students in the region for about fifty years. During this time, the college has provided students an opportunity to earn an Associates Degree, train for a vocation or prepare for transfer to a four-year educational institution. Imperial Valley College is located on a one-hundred and sixty (160) acre campus in the City of Imperial, CA that serves the Imperial Valley region.

Since approximately 1978 (with the passage of Proposition 13 that included a cap or limit on property taxes), community college districts (including the Imperial Community College District) began to rely more and more upon local tax revenue sources to fund facility expansion projects on campus. In 2004, the voters of Imperial County voluntarily voted in a General Obligation Bond (Measure L) that created \$58.6 million of local funds from new property taxes to both modernize and expand Imperial Valley College. Some match funds were and are also available from the State of California to better leverage local funding. As local funding to expand community college campus is becoming more common, it is important that the community stakeholders (taxpayers) have a greater understanding of the economic impacts that a community college has upon a region's economy.

The purpose of this Economic Impact Analysis is to provide Imperial Valley College officials (both board and staff) along with the community at large a greater understanding of the economic engine that is Imperial Valley College. Development Management Group, Inc. was selected to complete this important and vital project.

Our methodology includes providing a specific breakdown of current economic impacts and projecting impacts into the future. We looked at five (5) specific areas of potential impacts. These include:

- 1) Currently budgeted capital spending
- 2) Potential new capital spending (new bond issue and matching dollars from State of California)
- 3) Operational spending
- 4) Earnings of students currently enrolled at Imperial Valley College
- 5) Additional earning potential of students that have graduated from Imperial Valley College (either an Associates or earning a Bachelor's at either a University of California or California State

University) because of their educational achievement. For purposes of this report, additional earnings calculations for students previously enrolled at IVC date back to 2001.

In terms of demographics, the Imperial Valley can be characterized by low educational achievement with 40% of adults 25 and older lacking a high school diploma or GED, while only approximately 17%

Our economic analysis includes information garnered from eighteen (18) different sources including enrollment information from Imperial Valley College, the United States Census Bureau, State

Operational impacts take into account such items as staff salaries, contract spending and material purchases. Construction spending analyzes both current and future infrastructure/facility projects to be built on campus. Impacts will include professional (pre-construction), material and labor. Student impacts analyze the earning power of college students during their time at IVC along with the additional earning potential they hold in the regional economy as a result of their educational achievement.

This report is limited to the economic impacts of Imperial Valley College operationally and through construction projects. It also includes the income and additional earnings of its students and alumni.

2. Contact Information for Imperial Valley College

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Contact: Mr. Bill Gay, Public Information Officer

3. Contact Information for Development Management Group, Inc.

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4. Statement of Independence

Imperial Valley College has provided a joint contractual obligation with Development Management Group, Inc. regarding independence of conclusions in this report. Therefore, Imperial Valley College was not and shall not be provide editorial comment or direction regarding the conclusions contained herein. A draft report has been reviewed by Imperial Valley College to the finalization of the report to insure that information relied upon by Development Management Group, Inc. is accurate.

5. Peer Review

Development Management Group, Inc. contracted with Thomas Topuzes and Associates, LLC to complete a peer review of the draft report. A peer review was completed on July 26, 2009.

7. Process/Steps Utilized in Process of Economic Impact Analysis

Development Management Group, Inc. utilized a series of task oriented steps in completing an economic impact analysis. To begin, DMG provided Imperial Valley College with a customized questionnaire requesting over fifty (50) pieces of statistical data. In addition, DMG visited IVC to observe various campus activities to ascertain potential operational impacts upon the local/regional economy.

Additional data was procured and received from a variety of sources (see References Utilized for Analysis). All of the subject information and data was then analyzed and the accompanying Exhibits A-F were generated to present the potential impacts in numerical form.

8. References Utilized for Analysis

1. Imperial Valley College Administration
2. Imperial Valley College Measure L Report
3. Imperial Community College District Educational Master Plan 2008-2009
4. Imperial Community College District Strategic Plan 2008-2014
5. Imperial Valley College-Human Resources Staffing Plan
6. County of Imperial
7. Economics and Politics, Inc.
8. United States Census Bureau
9. Nielsen/Claritas, Inc.
10. California Postsecondary Education Commission
11. United States Department of Labor
12. Payscale.Com
13. United States Department of Education
14. California State Employment Development Department
15. Imperial Community College District Five Year Construction Plan 2010-2014
16. Imperial.edu
17. Imperial Valley College Student Survey
18. College Board College Handbook (2010 Edition)
19. United States Bureau of Economic Analysis
20. California Economic Strategy Panel

9. Qualifications of Consultants

materials (for example, construction materials) are more likely to leave the regional economy as they are used to pay manufacturers/suppliers located elsewhere. For purposes of this economic analysis, the regional economy shall be defined as the County of Imperial. The County of Imperial shall include the incorporated cities of Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial and Westmorland. The County of Imperial shall also include both communities of interest and unincorporated communities throughout the legal boundaries of the County.

Dr. John Husing, an economist based in Redlands, CA often provides the example of a gold mining town when describing the concept of economic multipliers. Imagine a gold miner with money paying various persons within the town for a place to sleep, equipment to mine, food and entertainment. The recipients of these dollars then utilize the money they received for their own purchases (including a place to sleep, supplies for their businesses, food and entertainment). Economic multipliers are the basis of understanding how a particular business or use will impact a regional economy.

Specific to Imperial Valley College, the dollars exchanged in their regular course of business fall within one of five basic categories: 1) currently budgeted capital improvement projects (from Measure L and state matching funds) which are used for design, engineering, labor and materials. 2) Potential new capital improvement funds (from a new local bond issue and state matching funds) which would also be used to pay for design, engineering, labor and materials to expand Imperial Valley College Campus(es) 3) Operational spending on such items as staffing, contract services and material purchases 4) Wages and spending of students currently enrolled at Imperial Valley College and 5) Additional wages that Imperial Valley College and those that both graduated from Imperial Valley College and a four-year institution (California State University and University of California) earn because of their educational achievement.

In an effort to streamline interpretation of this analysis, a simple multiplier of 2.00 shall be utilized for each labor or wage dollar spent by Imperial Valley College or earned by a student/former student. Simply stated, this means that for each dollar spent by the Imperial Valley College for labor (either for professional services, construction labor or staffing or earned by a current or former Imperial Valley College student, it is assumed that such dollar will circulate in the economy twice. Once when it is paid to an Imperial Valley College employee or current/former student, it is projected to circulate at least one additional time as it is spent within the Imperial Valley economy.

In preparing this Economic Impact Analysis, Development Management Group, Inc. has researched the latest information available regarding economic multipliers. The United States Bureau of Economic Analysis working in conjunction with the California Economic Strategy Panel 2009 recently completed a published study titled "Using Multipliers to Measure Economic Impacts". This publication looks at 473 industry types. In this report, earnings have an economic multiplier of between 1.66 (industries related to moving and storage) and 4.80 (industries involving water transportation). Most economic multipliers are in the 2.00 to 2.50 range. Educational services are estimated to have an output impact of about 2.53. For purposes of this Fiscal Impact Analysis, Development Management Group, Inc. shall utilize an economic multiplier of 2.00, which is less than the 2.53 within the United States Bureau of Economic Analysis. This is a conservative figure based on two factors: a) the research provided in the aforementioned publication and b) accounting for the size of the Imperial Valley region thus allowing for greater leakage to surrounding areas where some earning are generally spent (shopping, major consumer purchases, leisure).

Material purchases (construction materials and material purchases made for operations) are calculated assuming that 25% of purchases are made locally (within the region). Further, 1.25 will be utilized as the economic multiplier to make allowance for dollars that leave the region immediately after materials is purchased (spent with other manufacturers, distributors and material suppliers). The reality of the California marketplace is few construction materials are fabricated within the state. There are exceptions to this, including drywall that is produce in the Imperial Valley. For purposes of this report, it is assumed that a vast amount of the materials utilized to construct campus facilities come from outside the region. This calculation allows for material profits (from those supplied locally) to be spent and circulated within the Imperial Valley regional economy.

11. Demographics of the Imperial Valley

To better understand the environment in which Imperial Valley College operates, this section is designed to provide a demographic snapshot for the Imperial County.

A. Population

The region is characterized by a young population. The median age for Valley residents is 30.59; this is approximately six (6) years younger than the median age of the United States as a whole. It is estimated that there are about 51,000 persons within the Imperial Valley that are under the age of 18. This equates to thirty percent (30%) of the overall population of the region, compared to about 24% nationwide. Over the next five (5) years, persons within this age group will grow by 4,600 persons. This will create a need for additional schools at all levels and additional capacity at Imperial Valley College.

B. Ethnicity: 76.7% of the region is Hispanic or Latino. The percentage of Hispanic or Latino residents nationwide is approximately 15.5%. Approximately 3.7% of the Imperial Valley's population is Black or African American, while 2.2% are Asian and 1.8% is Native American.

C. Income The per capita income within the Imperial Valley is \$14,584. This is about \$12,000 less than the per capita income for the United States as a whole (\$26,410). Over the next five (5) years, the median per capita income is expected to rise by 6.0% while the per capita income for the United States as a whole is expected to rise by 10.3%. Unfortunately, this means that incomes for the region are not expected to rise as fast as the average across the nation. Approximately one in five families (19%) live at or below the federally defined poverty line (which for a family of four is \$21,200, family of five is \$24,800) according to the United States Census Bureau.

D. Employment 45% of the total population is engaged in the labor force. For the nation as a whole, 47.3% of the population is engaged in the labor force. The difference is attributed to a younger population as a whole (meaning a higher percentage of the population is still school age) and the higher unemployment rates which are generally three times that of the nation as a whole. In terms of occupations, 50.4% of those employed are working in "white collar" professions while 20.2% have "blue collar" professions and 29.3% are employed either in the armed forces (service) or in farm professions. Below is a more specific breakdown regarding professions*:

1.	Sales & Office	25.7%
2.	Service	19.5%

*Please note that often times a person engaged in the labor force will classify themselves under a work responsibility classification rather than the classification in which the employer/company is engaged.

6.	Bachelor's Degree	6.92%
7.	Master's Degree	2.36%
8.	Professional School Degree	1.14%
9.	Doctorate Degree	.29%

The Imperial Valley offers a limited number of options for higher educational opportunities. Imperial

Administration of Justice	General Science
Agricultural Sci./Business	Health Assistant
Air Condition./Refrig. Tech.	Home Health Aide
Alcohol and Drug Studies	Human Relations
Anthropology	Humanities
Art	Interdisciplinary
Automotive-Body Repair & Paint	Journalism
Automotive Technology	Legal Assistant
Behavioral Science	Liberal Studies
Business Administration	Library Technician
Business Financial Services	Life Science
Business Management	Mathematics
Business Marketing	Medical Assistant
Business Office Admin.	Medical Office Assistant
Business Retailing Supervision	Multimedia
Building Construction Project Management	Music
Carpentry/Masonry/Electrical Trades/Wiring	Nursing (RN & LVN)
Communication Arts	Patient Services Administration
Computer Info. Systems	Pharmacy Technician
Correctional Science	Physical Education
Early Childhood Education	Physical Science
Electronics	Pre-Engineering
Emergency Medical Services	Psychology
EMT/Paramedic	Rehabilitation Tech. for Phy. Lmtd.
English	Social Science
Environmental Technology	Spanish
Field Archaeology	Transfer Studies
Firefighter I	Waste Water Technology
Fire Technology	Water Treatment Technology
French	Welding Technology
General Major	

14. Description of Five (5) Sources of Impacts Economic Impacts of Imperial Valley College

For purposes of creating an economic impact analysis, it has been determined that there are five (5) basic sources of economic impacts. These include:

A.

First, 10% of the total amount is set aside and scheduled to be used for professional services in the engineering and design of the buildings. These monies are generally utilized for professional labor. Therefore \$4 million is scheduled over a 2-year period for this purpose.

Construction activities are then scheduled over a four year period (starting in 2010). It is generally accepted that 50% of construction dollars are spent on materials and 50% on labor for public works type projects (prevailing wage paid construction).

Utilizing a level construction period lasting eight (8) years between 2014 and 2021, the construction spending (materials and labor) will have a regional economic benefit greater than \$20 million per year. Over the ten (10) year period that includes engineering, design and actual construction, the total economic impact of a new capital improvement campaign would be approximately \$120.96 million. This means for each \$1.00 that the local voters are willing to spend on a general obligation bond that the economic impact to the region is about \$2.00. (Exhibit B provides the projected economic impacts from a new bond issue (with state matching funds)).

17. Operational Impacts

The operation of Imperial Valley College includes a number of different and specific activities. For purposes of this economic impact analysis, such activities shall include expenditures made for labor

4. Calculations all assume a neutral education migration. This means that for each former student that leaves the region with an Associates or former student that obtains a Bachelor's, it is assumed that they will continue to live in Imperial County. To the ex250.2(t)-t

Based on population projections and the general evolution of the economy (both nationally and in the Imperial Valley), there will be a need for Imperial Valley College to accommodate a growing number of students. It is also likely that the types of educational curriculum and training requested by students will change, this dictating the need for both additional facilities and specialized facilities.

21. Exhibits (Attached)

Current Capital Improvement Pla	2009	2010	2011	2012	2013	2014
Professional Services Lab						
Professional Services (10% of fur	\$5,300,000	\$5,300,000				
Economic Multiplier of Professional Services (La	2.00	2.00				
Economic Impact of Professional Servi	\$10,600,000	\$10,600,000				
Construction Labc						
Labor		\$9,540,000	\$9,540,000	\$9,540,000	\$9,540,000	\$9,540,000
Economic Multiplier of Labc		2.00	2.00	2.00	2.00	2.00
Economic Impact of Construction Lat		\$19,080,000	\$19,080,000	\$19,080,000	\$19,080,000	\$19,080,000
Material Purchases for Capital Improvemen						
Construction Material		\$9,540,000	\$9,540,000	\$9,540,000	\$9,540,000	\$9,540,000
Local Purchase of Construction Materials (25% of T		\$2,385,000	\$2,385,000	\$2,385,000	\$2,385,000	\$2,385,000
Economic Multiplier Rat		1.25	1.25	1.25	1.25	1.25
Economic Impact of Construction Materials Purcha		\$2,981,250	\$2,981,250	\$2,981,250	\$2,981,250	\$2,981,250

2012

Year

2009

2010

2011

2012

2013

2014

2015

Year	2001-2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual Earnings by Education Level														
Projected Annual Earnings Without High School Diploma		\$18,734	\$19,296	\$19,875	\$20,471	\$21,085	\$21,715	\$22,365	\$23,040	\$23,732	\$24,444	\$25,177	\$25,932	\$26,710
Projected Annual Earnings With High School Diploma		\$27,915	\$28,752	\$29,615	\$30,503	\$31,415	\$32,361	\$33,332	\$34,332	\$35,362	\$36,422	\$37,515	\$38,641	\$39,800
Projected Annual Earnings With Associates Degree		\$36,071	\$37,152	\$38,265	\$39,411	\$40,591	\$41,811	\$43,071	\$44,363	\$45,694	\$47,064	\$48,476	\$49,931	\$51,425
Delta (Additional Earning) from High School Diploma		\$8,181	\$8,456	\$8,740	\$9,032	\$9,330	\$9,646	\$9,966	\$10,292	\$10,630	\$10,980	\$11,338	\$11,709	\$12,090
Projected Annual Earnings With Bachelor's Degree		\$51,206	\$52,452	\$53,735	\$55,055	\$56,411	\$57,803	\$59,231	\$60,695	\$62,195	\$63,732	\$65,305	\$66,915	\$68,562

