

Appendix A

Subsection (14) (e)

Information on the amount and nature of economic activity generated through the activities of the grantee.

**The Economic Impact of Scripps Florida
on Florida's Economy
October 1, 2006 - September 30, 2007**

**Prepared by
Enterprise Florida
for the
Scripps Florida Funding Corporation**

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Prepared by Enterprise Florida's Marketing & Strategic Intelligence Division
for the Scripps Florida Funding Corporation
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The Economic Impact of Scripps Florida On Florida's Economy October 1, 2006 - September 30, 2007

Introduction

This analysis is designed to address Section E of the 2007 Scripps Florida Funding Corporation Annual Report to the Florida Legislature:

Objective: Estimate the economic impact of activities of Scripps Florida (TSRI) during its fourth fiscal year of operation, covering the period from October 1, 2006, to September 30, 2007.

Just like the analyses carried out the previous three fiscal years, this year's analysis was conducted by Enterprise Florida staff at the request of the Scripps Florida Funding Corporation (SFFC). It is based on data provided to Enterprise Florida by the Scripps Florida Funding Corporation, using the industry standard IMPLAN economic impact model. The objective of this economic impact analysis of Scripps' presence in Florida has been to quantify those economic benefits that have actually accrued during the fourth full fiscal year of Scripps' operation in the state, based upon expenditures by Scripps Florida or its partners on Scripps' behalf (Florida Atlantic University, Palm Beach County, and the State of Florida). The analysis does not attempt to project future streams of benefits that might be expected as the Scripps facility in Palm Beach County draws closer to full build out, nor can it measure any non-quantifiable benefits that might accrue as a result of Florida's enhanced global name recognition as an emerging hub for the life sciences.

This report closely follows the template developed for the previous three years' economic impact analyses of Scripps Florida, and is organized into the following sections:

- About Economic Impact Analysis: IMPLAN is an industry-standard economic impact estimator. The specific application of this model is described.
- Methodological Note: The model inputs include a variety of direct expenditures by Scripps and its partner organizations (FAU, Palm Beach County, and the State).
- Results of the Economic Impact Analysis: Presentation of the key findings of the analysis.
- Extra-Model Economic Benefits: A brief mention of additional impacts this analysis does not attempt to capture.



About Economic Impact Analysis

Economic impact analysis measures the changes in employment, personal income, economic output (Gross Domestic Product), and tax revenues resulting from an event or the presence of a facility in a given study area. Impacts can be measured at the county, regional (i.e. groups of counties), statewide, or national level.

Given the statewide importance of Scripps Florida and its role in putting Florida on the map as an emerging hub for the life sciences, this analysis measures the economic impact of Scripps on the entire State of Florida. In practice, however, the bulk of these quantifiable impacts will be geographically concentrated in Palm Beach County, as well as other neighboring areas in the South Florida region.

Assessing the impact of Scripps Florida's presence in our state has been carried out utilizing an industry-standard IMPLAN economic impact model, one of the top models used in the United States for economic impact analysis.

This economic impact analysis for the most part uses the standard features of the IMPLAN model, without altering any of the model's default settings. In accordance with the particular circumstances of Scripps Florida, this analysis looks at economic impacts categorized in three different ways:

1. Based on the type of impact measured, the IMPLAN model quantifies four main categories of impacts:
 - **Employment:** The number of additional full-time equivalent jobs attributable to the presence and operation of Scripps Florida in Palm Beach County.
 - **Personal Income:** The additional earnings pumped into Florida's economy as a result of Scripps;
 - **Economic Output (Gross Domestic Product):** The increase in Florida's total economic output attributable to all these additional people working and creating value added; and
 - **Tax Revenues:** Additional fiscal revenues for the state and local governments generated by all the added economic activity (through taxable sales, property taxes, licenses, fees, etc.).
2. Based on the round of effects analyzed, there are three categories of impacts:
 - **Direct Effects:** These include the economic impact of the setup and operations of Scripps Florida itself, such as jobs at the facility or at companies



responsible for designing and constructing Scripps' facilities, employee income, the total increase in economic activity associated with this, and resulting tax revenues.

- **Indirect Effects:** These include operating inputs (both goods and services) provided by local area businesses as a result of the operation of the Scripps Florida facilities and companies responsible for designing and constructing Scripps' facilities, and all the employment, income, and tax revenues associated with this increase in economic activity.
- **Induced Effects:** The increase in local and state economic activity stemming from expenditures by Scripps Florida's employees and employees of other area businesses either directly or indirectly affected by Scripps Florida's local purchase of goods and services. Like Direct and Indirect impacts, Induced impacts also result in jobs, increases in the area's total income, and augmented fiscal revenues stemming from this increase in economic activity.

Every purchase in any sector of the economy creates additional spending through direct, indirect, and induced effects. This happens over and over numerous times. The repeated spending that occurs as a result of any single purchase is called the multiplier effect. In other words, money spent once by an individual or a company enables a chain reaction of new spending by other individuals and companies.

3. Finally, a unique feature of this analysis is the inclusion of, and distinction between, the following:

- **Scripps' Operational Impacts:** These impacts pertain to the operations of Scripps Florida itself in its fourth full fiscal year. In addition to Scripps' own payroll expenditure (on research, professional, and support staff), there is also the procurement of laboratory and other scientific equipment, information technology, office furniture and supplies, and various business services.
- **Facility-Related Impacts:** These encompass all the economic activity resulting from expenditures on designing and constructing the permanent facilities housing Scripps Florida. These expenditures are borne by Florida Atlantic University, Palm Beach County, and the State of Florida, in addition to Scripps Florida itself. Specific activities include carrying out land surveys, environmental impact studies, architectural designs, detailed engineering designs, site preparation and related civil works, any construction activity that may take place, as well as the real estate transactions and professional/business services necessary to implement the project. Facility-related impacts are included in this analysis because they are directly attributable to setting up Scripps' facilities in Florida.



Thus, to properly measure the total impact that the presence of Scripps is having on Florida's economy, this analysis has taken into account the operation of the temporary Scripps facilities at Florida Atlantic University (FAU), plus all activities related to the establishment of Scripps permanent site in Palm Beach County.

Methodological Note

Any economic impact analysis is only as good as the primary data and assumptions on which it is based. In carrying out this analysis, Enterprise Florida has relied on data provided by the Scripps Florida Funding Corporation. The data provided include all known expenditures by Scripps Florida, Palm Beach County, and Florida Atlantic University, during the fiscal year October 1, 2006, to September 30, 2007.

All expenditure data thus obtained were fed into the IMPLAN model, assigning the appropriate NAICS-based IMPLAN industry sector designation to each expenditure item. These items were then aggregated according to their characteristics to obtain the different kinds of quantifiable impacts presented in the previous section.

No data on actual Scripps-related job creation were input into the IMPLAN model. Instead, the model estimated direct employment levels (averaged out for the entire fiscal year in question) based on total expenditure levels, but in accordance with corresponding income levels determined by industry and geography. Therefore, the estimated employment impacts generated by IMPLAN should be interpreted as average annual full-time equivalent (FTE) positions, and not a snapshot of actual employment by Scripps or any other entity at any individual point in time during the fiscal year analyzed.

Given its focus on quantifying impacts on Florida's economy during a single fiscal year, this model also does not attempt to distinguish between recurring and one-time economic impacts. In practice, many jobs associated with setting up Scripps' facilities may be of a specific duration, while those at Scripps Florida itself may be sustained over many years into the future. Either way, the study only looks at impacts on Florida's economy in Scripps' FY 2006-07.

This analysis did not alter the default assumptions built into the IMPLAN model, such as the level of "leakage" between economic areas, population, workforce, and personal income totals (all of which come from standard U.S. Federal government data sources), or any inter-industry linkages. Relying on IMPLAN's Social Accounting Matrices, the analysis computed the various kinds of economic impacts associated with Scripps' presence in our state.

Tax impacts were also computed by the IMPLAN model, with the breakdown between local and statewide fiscal revenues being estimated by Enterprise Florida based on revenue type. For instance, this analysis assumed that all tax revenues obtained through vehicle licensing fees go to the State of Florida, while all property taxes are assumed to go to local governments. Sales tax receipts are split between the state's standard 6% rate and any additional local penny options, as applicable. Likewise, all other revenues were allocated to the appropriate category.

Primary expenditure data fed into the IMPLAN model are provided in the table below:

Scripps Florida-Related Expenditures Categories, Scripps' FY 2006-2007	
<u>Expenditure Item</u>	<u>Amount</u>
Facilities-Related:	
FAU site work	\$1,175,326
FAU construction	\$59,131,523
FAU soft costs	\$8,931,344
FPL relocation	\$59,340
County Salaries & Benefits	\$100,000
Capital expenditures by Scripps	\$121,082
Subtotal Facilities-Related	\$69,518,615
Operational:	
Scientist Salaries & Benefits	\$9,674,131
Supplies	\$5,642,651
Scientific Equipment	\$2,742,332
External Services	\$986,660
Salaries & Benefits	\$3,197,199
Professional Services	\$401,890
Supplies	\$164,475
Purchased Services	\$548,593
Business Meetings	\$268,268
Subscriptions	\$129,229
Other	\$50,146
Facilities (Insurance, utilities, maintenance)	\$5,017,569
Allocations from California minus Recoveries	-\$406,311
Subtotal Operational	\$28,416,832
Total Scripps-related expenditures in Florida in FY 2006-07	\$97,935,447
<i>Source: All expenditure data provided to Enterprise Florida by the Scripps Florida Funding Corporation</i>	

Results of the Economic Impact Analysis

Based on all the data and assumptions incorporated into the analysis, the total statewide economic impact of Scripps Florida in its fourth full fiscal year of operation is summarized in the table below:

The Economic Impact of Scripps Florida on the State of Florida, Scripps' FY 2006-07				
<u>Type of Impact</u>	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Employment Impact , of which:	886	316	888	2,090
Facility-Related	683	218	623	1,525
Operational	203	98	265	565
Personal Income Impact , of which:	\$ 45,583,970	\$ 13,908,607	\$ 36,014,397	\$ 95,506,975
Facility-Related	\$ 32,230,379	\$ 9,743,978	\$ 25,273,110	\$ 67,247,467
Operational	\$ 13,353,591	\$ 4,164,629	\$ 10,741,287	\$ 28,259,508
Output (Gross Domestic Product) Impact , of which:	\$ 97,935,450	\$ 36,055,537	\$ 96,335,039	\$ 230,326,028
Facility-Related	\$ 69,518,618	\$ 24,847,636	\$ 67,571,299	\$ 161,937,552
Operational	\$ 28,416,832	\$ 11,207,901	\$ 28,763,741	\$ 68,388,473
Tax Revenues , of which:	\$ 5,022,230	\$ 1,849,301	\$ 4,940,524	\$ 11,812,055
Facility-Related	\$ 3,555,907	\$ 1,270,967	\$ 3,456,301	\$ 8,283,174
Operational	\$ 1,466,323	\$ 578,333	\$ 1,484,224	\$ 3,528,880
Breakdown of Tax Revenues Between State & Local Gov't:				
State of Florida	\$ 2,712,004	\$ 998,622	\$ 2,667,883	\$ 6,378,510
Local Governments (County & Municipal)	\$ 2,310,226	\$ 850,678	\$ 2,272,641	\$ 5,433,545
Note: Estimated totals may not add up exactly in each case, due to rounding off to the nearest whole dollar or employee.				

Summarized by type of impact, the key benefits to Florida's economy during the fourth fiscal year of Scripps Florida's presence include:

1. **Employment impact:** Scripps Florida's presence helped to sustain an estimated 2,090 full-time equivalent jobs¹ statewide, of which:
 - **Direct:** This analysis provides two different kinds of direct employment impacts: 203 full-time equivalent positions sustained by the operations Scripps Florida

¹ The total number of jobs sustained by Scripps Florida's presence in the state does not mean that all those jobs were created in FY 2006-07 alone; some of the jobs were created in previous fiscal years and "carried over" into this one, while others in fact represent jobs newly-created during FY 2006-07. Therefore, it would be incorrect to add the job impacts from the previous three fiscal years' economic impact reports to those in this year's – this would result in a double-counting of jobs created in fiscal years 2003-06 and continuing to be sustained in FY 2006-07. "Jobs sustained" means all Scripps-related employment existing in Florida during FY 2006-07 irrespective of when the jobs in questions were first created.



itself, plus another 683 jobs sustained by the design and construction of Scripps' physical facilities, for an estimated total of 886 direct jobs resulting from the presence of Scripps in Florida during its fourth full fiscal year; and

- **Indirect and Induced:** An additional 1,204 jobs throughout Florida were supported as a result of the multiplier effect.
2. The total **income impact** of Scripps Florida in its fourth full fiscal year of operation amounted to \$95,506,975. This total includes:
 - **Direct:** The earnings at Scripps Florida itself and entities engaged in designing or constructing the Scripps facilities boosted Florida's total personal income by \$45,583,970; and
 - **Indirect and Induced:** An additional \$49,923,005 in personal income was produced by the ripple effect that the direct spending had through Florida's economy.
 3. The contribution of Scripps Florida's presence to Florida's total economic output (**Gross Domestic Product**) was \$230,326,028 in fiscal year 2006-07. Of this:
 - **Direct:** Scripps Florida and entities engaged in designing or constructing the Scripps facilities contributed \$97,935,450 to Florida's Gross Domestic Product; and
 - **Indirect and Induced:** The ripple effect of Scripps' presence accounted for a further contribution of \$132,390,577 to Florida's total economic output.
 4. The total **fiscal** impact of Scripps Florida's presence in Florida amounted to \$11,812,055 in fiscal year 2006-07. Of this total:
 - **Direct:** Scripps Florida and entities engaged in designing or constructing the Scripps facilities accounted for economic activity yielding an estimated \$5,022,230 in tax revenues for Florida's state and local governments; and
 - **Indirect and Induced:** The ripple effect of Scripps Florida's presence accounted for economic activity generating a further \$6,789,825 in tax revenues for the state and local governments.

The approximate breakdown between fiscal revenues accruing to the State of Florida and those paid to county and municipal governments was as follows:



- **State Taxes:** The tax revenues going to the State of Florida amounted to an estimated \$6,378,510; and
- **Local Taxes:** An additional \$5,433,545 in taxes was paid to county and municipal governments as a result of Scripps Florida's presence in the state.

Extra-Model Economic Benefits

While the focus of this analysis is on measuring the economic benefits of the presence of Scripps Florida in the state during its fourth full fiscal year, it is important to note that economic impact models such as IMPLAN by their very nature capture only the economic benefits that can be quantified – jobs, income, output, and tax revenues.

These models cannot express other important yet unquantifiable benefits such as enhanced business visibility and marketing value (branding) that stems from having a high-profile facility such as Scripps in Florida. While not immediately quantifiable, such benefits will nevertheless become evident through future streams of quantifiable economic impacts, and so should be kept in mind when attempting to gauge the total impact of Scripps Florida on Florida's economy.

