

## **Appendix 1**

### **Subsection (14) (e)**

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

# **The Economic Impacts of Scripps Florida on Florida's Economy**

**October 1, 2008 - September 30, 2009**

**Prepared by the  
Business Development Board of  
Palm Beach County, Inc.  
for the  
Scripps Florida Funding Corporation**



# The Economic Impacts of Scripps Florida on Florida's Economy October 1, 2008 - September 30, 2009

## Introduction

This analysis is designed to fulfill the requirements of Subsection 14(e) of the 2009 Scripps Florida Funding Corporation Annual Report to the State of Florida Governor and Legislature.

***Purpose: Estimate the economic impacts of the activities of the Scripps Florida facility on the State of Florida during its sixth fiscal year of operation that covers the period October 1, 2008 to September 30, 2009.***

The analyses for the first four fiscal years were conducted by Enterprise Florida, Inc. (EFI), while the fifth fiscal year analysis was conducted by the Business Development Board of Palm Beach County, Inc. (BDB), and this analysis will follow a similar format as that established by EFI to address Subsection 14(e) of the Scripps Florida Funding Corporation's (SFFC) Annual Report to the Florida Governor and Legislature. This analysis was conducted by the staff of the BDB at the request of SFFC. It is based on information and data provided to the BDB from SFFC and uses the IMPLAN economic impact model, as was used in prior analyses by EFI and the BDB. The purpose of this analysis was to estimate the quantifiable economic impacts of Scripps Florida's activities in the State of Florida during its sixth fiscal year in operation, based on the expenditures made by Scripps Florida or its partners, Palm Beach County and Florida Atlantic University. This analysis makes no attempt to project future economic impacts or benefits on the State of Florida or Palm Beach County, nor does it attempt to estimate or project non-quantifiable benefits or impacts to Florida or Palm Beach County.

As previously stated, this report follows a similar format as the one established by EFI in previous analyses. As such, this report will include sections that provide information on economic impact analysis and the model, IMPLAN, used to estimate impacts, the methodology used to conduct this analysis, results of the IMPLAN model, and a brief description of the impacts that this analysis does not attempt to estimate.

## Economic Impact Analysis Using IMPLAN

Economic impact analysis estimates the changes in economic output (gross domestic product), employment, personal income (labor compensation and proprietors' income), property income (rents), and tax revenues that result from changes in demand for products or services in a given study area (referred to as an event). Impacts can be measured for zip codes, counties, states, or the entire country.

Due to the importance of Scripps Florida to the State of Florida, as being a world class research institute that has positioned Florida as an emerging focal point for the life sciences, this analysis will estimate the economic impacts to the entire State of Florida resulting from Scripps Florida operations. However, the majority of the benefits from Scripps Florida are likely concentrated in Palm Beach County and the surrounding region.

The IMPLAN model is a recognized industry leader in the United States and is used by many organizations from federal agencies to private consultants for economic impact analysis.

This analysis uses many of the default settings and features of the standard IMPLAN model. In accordance with the circumstances stipulated by Scripps Florida and in keeping with the format of prior analyses by EFI, this analysis reports the economic impacts of Scripps Florida in three different categories.

First, the IMPLAN model quantifies four categories of impacts: **employment**; **personal income**; **economic output** (gross domestic product); and **tax revenues**. **Employment** refers to the number of full-time jobs created in the study area due to the presence of Scripps Florida. **Personal Income** includes all forms of labor compensation and proprietors' income that are injected into the economy of the study area as a result of Scripps Florida. **Economic Output (Gross Domestic Product)** is the increased amount of total economic output in the study area that results from the change in employment and value added created by the presence of Scripps. Lastly, **tax revenues** refer to the additional fiscal revenues generated by state and local governments (such as sales taxes, property taxes, and other excise taxes and fees) resulting from the increased economic activity due to Scripps.

Second, there are three rounds of effects that are analyzed. Each round is classified as a separate category or effect. The first round produces the **direct effects**, which include the economic impacts to the four categories stated above that result from the facilities-related activities and operations of Scripps Florida itself, such as the number of jobs created by Scripps to work in the new facility or the change in employment by the companies hired by Scripps to provide goods or services. Next come the **indirect effects**, which include interindustry changes in demand resulting from the facilities-related activities and operation of Scripps or the goods and services required by companies hired by Scripps for the facilities or operations. Lastly, the **induced effects** are measured, which are the increases in economic activity stemming from the expenditures by the households of the employees hired by Scripps or the companies used for the facilities-related activities and operations or businesses indirectly influenced by the presence of Scripps.

The presence of direct effects, indirect effects, and induced effects result from what is referred to as the *multiplier effect*. The multiplier effect occurs, because every time a purchase is made in any sector of the economy, additional spending is created through direct, indirect, and induced effects. This happens over and over many times. Essentially, when one person or company spends money, it enables another person or company to spend money and so on, creating a chain of new spending by other people or companies.

The third and last category will distinguish between the Scripps Florida's Operational Impacts and Facility-Related Impacts.

***Scripps Florida's Operational Impacts.*** These impacts result from the operations of Scripps Florida during its sixth fiscal year. The operational impacts include Scripps payroll expenditures (for scientists and professional and support staff), expenditures for laboratory equipment, office supplies, information technology, utilities, and various other business services and operational expenses.

***Facility-Related Impacts.*** These impacts include all the economic activity due to expenditures on designing and constructing the permanent facilities of Scripps Florida. Those expenditures are made by Scripps Florida or by partners on behalf of Scripps Florida. The partners of Scripps Florida include Palm Beach County, Florida Atlantic University, and the State of Florida. Numerous activities are accounted for by the expenditures in this category, including: land surveys; environmental impact studies; site preparation; construction; architectural services; and various other professional and support services. Facility-Related impacts are included in this analysis because they are a result of Scripps' presence. However, since Scripps Florida completed its permanent facility, these impacts will likely diminish in future years.

## Methodology

The results of an economic impact analysis are reliant upon the primary data and assumptions used in the model. In this analysis, the BDB has relied on data provided by the Scripps Florida Funding Corporation. The data provided include all known expenditures by Scripps Florida and its partners (Palm Beach County and Florida Atlantic University) during the fiscal year October 1, 2008 to September 30, 2009.

All expenditures data obtained were input into the IMPLAN model, with the appropriate NAICS-based IMPLAN industry codes for each line item expenditure. The line items were then aggregated based on their features to achieve the quantifiable impacts mentioned in the previous section.

No data on actual job creation by Scripps Florida's activities were provided, and therefore no employment data were input into the IMPLAN model. However, expenditures for salaries and benefits were provided by Scripps, and these were included in the model using the IMPLAN industry code for payroll compensation, which allowed the model to estimate direct employment levels throughout the fiscal year. Therefore the estimated employment impacts generated by IMPLAN should be interpreted as the average annual full-time employment, and may in fact not be the actual employment of Scripps Florida or any other entity affected by the presence of Scripps at any time during the fiscal year analyzed.

Since this analysis is focused on the single fiscal year of October 1, 2008 to September 30, 2009, the IMPLAN model does not attempt to differentiate between recurring and one-time impacts. As stated previously, Scripps moved into its permanent facilities during the fiscal year of this analysis, so any jobs or other impacts associated with the construction and design of Scripps permanent facility will likely diminish or disappear entirely in future years. Additionally, impacts associated with the operations of the Scripps facility can recur each year. However, this study is only concerned with impacts in fiscal year 2008-09.

This analysis relied upon the default assumptions built into the IMPLAN model. This analysis used the assumptions in the IMPLAN model to determine the amount of expenditures and activity that affected the State of Florida due to the presence of Scripps Florida by estimating the amount of goods and services that are demanded from domestic sources versus sources in other states. The data used for the IMPLAN model's assumptions are derived from US Federal Government databases.

Fiscal impacts were also estimated by the IMPLAN model, which differentiates between federal and state and local tax revenues. This analysis maintains the state and local tax revenue impacts established in the previous analyses by EFI. In previous analyses, EFI assumed that all tax revenues obtained through vehicle licensing fees go to the State of Florida, whereas property taxes are paid to local governments. The sales tax receipts are split between the state and local governments, where the State of Florida receives 92.3 percent of all sales tax revenue and the local governments receive anything above that due to the local option of an additional 0.5 percent above the six percent State of Florida Sales and Use Tax. The IMPLAN model does not differentiate the split in sales tax, so it is possible that the amount of sales tax collected is overstated for the State of Florida and understated for the counties and municipalities.

The primary expenditures data provided by Scripps Florida Funding Corporation (SFFC) for use in the IMPLAN model are provided in the table below.

<b>Scripps Florida - Related Expenditures, SFFC's FY 2008-2009</b>	
<b>Expenditure Line Item</b>	<b>Amount</b>
<b>Facilities-Related:</b>	
FAU Site Work	\$65,667
FAU Construction	\$21,904,398
FAU Soft Costs	\$7,496,017
FPL Relocation	-\$43,957
<b>Subtotal Facilities-Related</b>	<b>\$29,422,125</b>
<b>Operational:</b>	
Scientist Salaries & Benefits	\$8,195,909
Supplies	\$3,745,563
Scientific Equipment	\$11,088,542
External Services	\$1,675,957
Salaries & Benefits (non-scientist)	\$7,436,009
Professional Services	\$997,219
Supplies	\$3,012,824
Purchased Services	\$4,758,178
Business Meetings	\$490,078
Subscriptions	\$216,024
Other	\$34,386
Allocations from California	\$2,103,786
Facilities (Insurance, Utilities, Maintenance)	\$5,685,432
Other Capital Expenditures	\$1,025,907
Administrative Expenses Recovered from Third Parties (IDC)	-\$8,415,555
<b>Subtotal Operational</b>	<b>\$42,050,259</b>
<b>Total Scripps-Related Expenditures in FY 2008-2009</b>	<b>\$71,472,384</b>

Source: Scripps Florida Funding Corporation

## IMPLAN Model Results

The table below summarizes the results of the IMPLAN economic impact model that was run for Scripps Florida, SFFC's fiscal year 2008-2009. The results that follow illustrate the total economic impacts to the State of Florida due to the presence of Scripps Florida in Palm Beach County, based on the data provided by the SFFC.

<b>The Economic Impacts of Scripps Florida on the State of Florida, SFFC's FY 2008-2009</b>				
<b>Type of Impact</b>	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Employment Impact</b>	<b>300</b>	<b>171</b>	<b>337</b>	<b>809</b>
Facility-Related	211	110	138	459
Operational	89	61	199	350
<b>Personal Income Impact</b>	<b>\$21,496,692</b>	<b>\$12,344,499</b>	<b>\$24,434,410</b>	<b>\$58,275,600</b>
Facility-Related	\$12,137,970	\$8,041,268	\$10,006,100	\$30,185,340
Operational	\$9,358,722	\$4,303,231	\$14,428,310	\$28,090,260
<b>Output (Gross Domestic Product)</b>	<b>\$47,497,900</b>	<b>\$23,052,670</b>	<b>\$41,805,160</b>	<b>\$112,355,730</b>
Facility-Related	\$29,466,080	\$15,403,530	\$17,120,120	\$61,989,740
Operational	\$18,031,820	\$7,649,140	\$24,685,040	\$50,365,990
<b>Tax Revenues</b>	<b>\$1,060,915</b>	<b>\$836,292</b>	<b>\$2,651,427</b>	<b>\$4,548,634</b>
Facility-Related	\$255,541	\$564,145	\$1,086,115	\$1,905,801
Operational	\$805,374	\$272,147	\$1,565,312	\$2,642,833
<i>Breakdown of Tax Revenues Between State &amp; Local Gov't</i>				
State of Florida	\$639,046	\$512,497	\$1,611,400	\$2,762,943
Local Governments (County & Municipal)	\$421,873	\$323,797	\$1,040,024	\$1,785,694

Note: The estimated totals may not add up exactly due to rounding off to the nearest whole dollar or employee.

Each of the impact types are summarized below.

**Employment Impact.** The presence of Scripps Florida assisted in sustaining an estimated 809 jobs statewide. It is important to note that those jobs were not necessarily created during the FY 2008-2009, where some may have carried over from previous fiscal years, while some were also created during the fiscal year of the study. Therefore, it would not be correct to add results from previous fiscal years' analyses to this one.

**Direct.** This analysis reports the total direct impacts, and also differentiates between the facility-related impacts and the operational impacts. During the SFFC's Fiscal Year 2008-2009, Scripps Florida had a total direct employment impact of 300 full-time jobs, 211 of which were due to the facility-related activities and 89 were due to the operations of Scripps Florida.

**Indirect and Induced.** An additional 508 jobs were supported throughout Florida as a result of indirect and induced effects, of which 248 were from facility-related activities and 260 were from Scripps Florida's operations.

**Income Impact.** The total personal income impact of Scripps in the SFFC's sixth fiscal year was \$58,275,600.

**Direct.** The activities of Scripps Florida and the companies it hired for facilities-related activities were directly responsible for contributing to an influx of \$21,496,692 of personal income into Florida's economy.

**Indirect and Induced.** The multiplier effect led to an additional \$36,778,908 in personal income in the Florida economy.

**Output (Gross Domestic Product) Impact.** Scripps Florida added \$112,355,750 to Florida's gross domestic product (GDP).

**Direct.** The operational activities of Scripps Florida and the companies utilized by Scripps for facilities-related activities directly contributed to adding \$47,497,900 to Florida's GDP.

**Indirect and Induced.** The multiplier effect led to the addition of \$64,857,830 to Florida's GDP.

**Fiscal Impact.** The total *estimated* fiscal revenues to State and local governments due to the presence of Scripps Florida in its sixth fiscal year amounted to \$4,548,634.

**Direct.** The operational activities of Scripps Florida and the companies utilized by Scripps for facilities-related activities directly contributed to an estimated \$1,060,915 in tax revenues to state and local governments.

**Indirect and Induced.** The multiplier effect from the activities of Scripps Florida and the companies hired by Scripps led to an additional \$3,487,719 in estimated tax revenues for state and local governments.

The approximate breakdown between estimated tax revenues for the State of Florida and the local governments was:

**State Taxes.** The estimated tax revenues that went to the State of Florida as a result of Scripps Florida were \$2,762,943.

**Local Taxes.** The estimated tax revenues that went to the local governments (county and municipal) in Florida as a result of Scripps Florida were \$1,785,694.

## Economic Impacts Outside of the Model

This analysis has focused on the economic impacts of Scripps Florida on the economy of the State of Florida during SFFC's sixth fiscal year of activities, October 1, 2008 - September 30, 2009. It is important to note that the IMPLAN model can only estimate the quantifiable economic impacts, such as employment, personal income, output, and tax revenues, to a geographical area based on changes in demand for goods or services caused by an event. Therefore, the model is not capable of measuring the qualitative economic benefits of an event, such as the presence of Scripps Florida, that could positively affect the economy of Florida. While the qualitative benefits are important, they may only become evident after a number of years or may influence quantifiable impacts in future analyses.