

**ECONOMIC
IMPACT
ANALYSIS**

**An Extension
Community
Economics Program**

The Economic Impact of a Proposed Veterans Home in Progresstown, Minnesota



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Introduction

Progresstown's proposal is for a 90-bed Veterans Home to be built in the City of Progresstown. Local officials estimate the facility will have an operating budget of approximately \$8 million per year and employ between 120 and 160 employees on an annual basis. These estimates are based on the operating budgets and employment levels of other similar Veterans Homes in the state. The facility will cost an estimated \$22.1 million to construct and equip.

University of Minnesota Extension was commissioned to conduct a study that estimates the economic impact of this proposed Veterans Home. The following report is a summary of the analysis and the findings. This study was conducted under Extension's Economic Impact Analysis program. The Economic Impact Analysis program is designed to assist communities in examining and discussing the economic consequences of a change in the community. Lead researcher on this project was Brigid Tuck of the University of Minnesota Extension Center for Community Vitality.

Notes of Caution

Several notes of caution should be kept in mind when interpreting this report. First, the estimates for the cost of construction and operations are just that: *estimates*. The total economic impact is contingent on those estimates. If actual expenditures are lower than estimated, then the total economic impact of the home will also be lower than predicted. Input-output analysis makes the implicit assumption that the community is energetic and efficient at capturing the economic gains from a new activity. If the community is not efficient at capturing these gains, then additional leakages will occur and the economic impact will not be as high as predicted.

Second, any community that is home to a Veterans Home will experience positive economic gains. As the facility makes local expenditures, local output, employment, and labor income will increase. The rate of this increase may vary by community. In fact, it is the rate of increase that is unique to Progresstown.

Highlights of the Progresstown Economic Impact Study

In a 2008 study conducted by University of Minnesota Extension examining the economic impact of a proposed new Veterans Home in Progresstown, Minnesota it was found that:

- Output in the local economy is predicted to increase by \$11,674,088 annually due to the daily operation of the facility.
- Employment in the study area is predicted to increase by 205 full and part time jobs annually due to the daily operation of the facility.
- Labor income in the local economy is predicted to increase by \$7,945,566 annually due to the daily operation of the facility.
- The Health and Social Services industry, the Manufacturing industry, the Real Estate and Rental industry, and the Finance and Insurance industry will be the industries most significantly impacted due to the operation of the facility.
- Output in the local economy is expected to increase by \$23,561,842 for one year due to construction of the facility.
- Employment in the study area is expected to increase by 202 full and part time jobs for one year due to construction of the facility.
- Labor income in the local economy is expected to increase by \$9,294,023 for one year due to construction of the facility.

Conclusions

Constructing and operating a new Veterans Home in the City of Progresstown will create new economic activity in the region. During the construction phase, economic activity in the study area will increase by \$6.3 million. This will cause an additional 63 jobs to be created in the study area to support the construction and the 139 workers at the site. In addition, over \$2 million of labor income will be infused into the economy while the facility is being constructed. These are short-term effects and will disappear when the construction is completed.

Once the facility is completed and operating, the region will see an additional increase in economic activity from expenditures related to day-to-day spending by the Veterans Home on goods, services, and labor. The Veterans Home itself will spend \$8.5 million per year. This will create an additional \$3.2 million of economic activity in the region. Therefore, total output in the study area of Three contiguous counties will increase by \$11.7 million annually. The Veterans Home will employ 160 individuals in the health and social services industry. As a result of the daily operations of the facility, an additional 44 jobs will be created in the study area. Total employment in the study area of Three contiguous counties will increase by 205 jobs as a result of the operation of the new Veterans Home. Labor income will also increase in the region. Income for labor related to the 160 jobs at the facility will be \$7.1 million in wages, salaries, and benefits. Spending by the Veterans Home and its employees will generate an additional 845,000 in labor income. Thus, in total, labor income in the counties of Three contiguous will increase by \$7.9 million annually as a result of the new Veterans Home.

Output in the studied region will increase by a total of \$11.7 million on an annual basis. Households in the region will clearly benefit the most from the proposed new Veterans Home. The operation of a nursing/personal care facility is labor intensive. The majority of the Veterans Home budget is payments to labor. Locally, households can expect an increase of \$7.1 million in income. Certain industries in the region will also receive significant benefits from the operation of the Veterans Home. The industries that will see the largest increase in output are: manufacturing, real estate and rental, and finance and insurance. The Veterans Home is in the health and social services industry. Traditionally, the health care industry has been relatively stable despite fluctuations in the economy. The health care industry is also more difficult to outsource. The study area's economy is primarily based on agriculture, manufacturing, and construction. A new business in the health and social services industry could add diversity to the economy.

Employment in the studied region will increase as well, by 205 jobs. The vast majority of these jobs will be in the health and social services industry as they are jobs at the Veterans Home. These jobs average \$44,000 per employee. The additional 44 jobs created in the community will pay on average \$19,000 per job. According to IMPLAN, the average job in the study area pays \$33,000 per

employee. The jobs created at the Veterans Home will also likely require some specific training. There will most likely be some low skill level jobs. However, the facility will also need some skilled and trained employees. This implies that either workers that already have the training will need to move into the area or individuals in the area will need to be trained to fill these positions.

Labor income will rise in the region by \$7.1 million. Households in the region will have additional dollars to spend. The results of their additional spending will affect service industries in the region. The retail trade industry will see an increase of nearly \$350,000 in additional output and the creation of 8 new jobs. While few new jobs will be created in goods-producing industries (such as agriculture, mining, construction, and manufacturing), new jobs will be created in many of the service-producing industries such as the administrative and waste services industry and the accommodation and food services industry. These industries are currently relatively minor sectors in the total economy of the study area. These jobs may require new training. They may also add to the diversity of the local economy.

To conclude, a new Veterans Home in the City of Progresstown will increase the annual output of the region studied by \$11.7 million annually and will increase employment by 205 jobs annually. The construction phase, expected to last about 15-18 months, will increase output in the region by \$6.3 million and will add 63 new jobs to the local economy while the construction takes place.