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The economic impact of the prosperity campaign on Hillsborough and Pinellas Counties : an analysis performed by Center for Economic Development Research, College of Business Administration, University of South Florida

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The Economic Impact of the Prosperity Campaign on Hillsborough and Pinellas Counties

An Analysis Performed by

CENTER FOR ECONOMIC DEVELOPMENT RESEARCH
College of Business Administration



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Preface

This study was commissioned by United Way of Tampa Bay, Inc. and performed by the Center for Economic Development Research, College of Business Administration, University of South Florida. The purpose of the study is to analyze the economic impact of the Prosperity Campaign on Hillsborough and Pinellas Counties. The Center for Economic Development Research provides information and conducts research on issues related to economic growth and development in the Nation, in the state of Florida, and particularly in the central Florida region. The Center serves the faculty, staff, and students of the College of Business Administration, the University, and individuals and organizations in the Tampa Bay region and statewide. Activities of the Center for Economic Development Research are designed to further the objectives of the University and specifically the objectives of the College of Business Administration.

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EXECUTIVE SUMMARY

The purpose of this study is to analyze the economic impact of the Prosperity Campaign (PC) in Hillsborough and Pinellas counties, Florida. The PC was established in 2004 through a collaboration of the public sector, business community, and nonprofit organizations in an effort to increase the number of eligible households who claim the Earned Income Tax Credit (EITC), Child Tax Credit (CTC) and other credits, which otherwise might go unclaimed each year. Eligible households are entitled to free tax preparation by Internal Revenue Service (IRS) certified preparers and assistance by trained volunteers at more than 50 tax preparation sites throughout Hillsborough and Pinellas counties.

We measure economic impact in terms of employment, output (akin to sales), and wages. These three measurements are interrelated descriptors of the same economic impact, much as mass, volume and density can each describe a solid.

We measured the economic impact of the PC in Hillsborough County, in Pinellas County, and in a region that combines both counties. We base the measured economic impact on historical data for tax years 2004 and 2005, for which tax filings are made and refunds are received in the following year. We presume that the recipients spend their tax refunds for personal consumption and measure the impact for a low household income response and a moderate household income response. We found that the measured differences in economic impact between low and moderate income responses are small, but the low income response was always greater. This finding is consistent with the principle that low income households spend more of their income in their local economy than relatively higher income households.

In Hillsborough County, total PC-assisted tax refunds in 2005 equaled \$3,787,976 and in 2006 refunds increased to \$5,895,277. The refunds directly attributable to the EITC and CTC were \$1,763,623 in 2005 and \$2,586,631 in 2006. In 2005 the impact of the refunds was 37 jobs paying wages of about \$1.21 million and increased output between \$4.83 and \$4.61 million. In 2006 the impact of the refunds was 56 jobs paying wages of about \$1.97 million and increased output between \$7.55 and \$7.21 million.

In Pinellas County, total PC-assisted tax refunds in 2005 equaled \$7,010,555 and in 2006 refunds increased to \$9,003,016. The refunds directly attributable to the EITC and CTC were \$2,711,199 in 2005 and \$3,228,908 in 2006. In 2005 the impact of the refunds was 76 jobs paying nearly \$2.12 million in wages, while increasing output by about \$8.17 million. In 2006 the impact of the refunds was 94 jobs paying wages of about \$2.85 million and increased output between \$10.70 and \$10.71 million.

In the combined Hillsborough-Pinellas region, total PC-assisted tax refunds in 2005 equaled \$10,798,531 and in 2006 refunds increased to \$14,898,293. The refunds directly attributable to the EITC and CTC were \$4,474,822 in 2005 and \$5,815,539 in 2006. In 2005 the impact of the refunds was 128 jobs paying almost \$3.84 million in

wages, while increasing output between \$15.07 and \$14.83 million. In 2006 the impact of the refunds was 171 jobs paying wages of about \$5.58 million and increased output between \$21.24 and \$20.84 million.

We also forecast the impacts of the PC for 2007 through 2011 based on an assumed three percent nominal growth rate in total dollar tax refunds to be received by claimants. Due to economy-wide productivity gains, we expect the number of PC-supported jobs to decline very modestly over time. On the other hand, we predict wages and output will rise along with increasing PC-assisted tax refunds. For Hillsborough County in 2007, we forecast increased PC-assisted output just under \$8.00 million, rising to between \$8.79 million and \$8.66 million by 2011. For Pinellas County in 2007, we forecast output slightly over \$11.00 million, rising to about \$12.49 million by 2011. For the two-county region in 2007, we forecast output slightly over \$22.00 million, rising to about \$24.97 million by 2011. That is an average output of about \$23.62 million per year from 2007 to 2011 or a cumulative contribution of \$118.10 million to the region's economy.

We conclude that the PC not only assists individuals to obtain tax refunds that might otherwise go unclaimed, but also boosts the local economy through increased consumer spending by the tax refund claimants.

I. Introduction.

The purpose of this research is to analyze the impact of the Prosperity Campaign (PC) in Hillsborough and Pinellas counties, located in Florida. The PC was established in 2004 to ensure that residents of Hillsborough and Pinellas counties who are eligible for the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) claim their full, earned share. The EITC is a refundable federal tax credit for taxpayers who are employed, but do not earn high incomes. Households earning less than \$37,263 in 2005 may have qualified for EITC federal tax credit of up to \$4,400.¹

The PC was established through a collaboration of the public sector, business community, and nonprofit organizations in an effort to increase the number of eligible households claiming EITC, CTC and other credits, which otherwise might go unclaimed each year in Hillsborough and Pinellas counties. These eligible – in accordance with the tax code – households may not file a tax return or may not know that the EITC and other tax credits exist.

Taxpayers are offered free tax preparation by Internal Revenue Service (IRS) certified preparers and assistance by trained volunteers at more than 50 tax preparation sites throughout Hillsborough and Pinellas counties. In 2006, free tax preparation was available from mid-January through April 17th at 63 locations with 400 volunteers and staff that prepared 16,434 tax returns with refunds totaling \$14.8 million.²

Another aspect of the mission of the *Prosperity Campaign of Hillsborough and Pinellas Counties* is to ensure that those who are eligible have access to the financial education necessary to make wise, informed decisions, and to gain access to mainstream financial services.³ Therefore, each tax preparation site also provides recipients of refunds with information on opening bank accounts, building savings, and improving credit as well as information on investing their refunds for debt relief or college funds.

Partners of the *Prosperity Campaign of Hillsborough and Pinellas Counties* include AARP Tax-Aide Foundation, Children's Board of Hillsborough County, Hillsborough Health & Social Services, IRS, Juvenile Welfare Board of Pinellas County, Pinellas County, and United Way of Tampa Bay.⁴

¹Source: <http://www.hillsboroughcounty.org/hss/resources/publications/prosperity/keyperformanceindicators.pdf> accessed on 12/6/06.

²Source: <http://www.hillsboroughcounty.org/hss/resources/publications/prosperity/keyperformanceindicators.pdf> accessed on 12/20/06.

³Source: <http://www.hillsboroughcounty.org/hss/resources/publications/prosperity/keyperformanceindicators.pdf> accessed on 1/2/07.

⁴Source: <http://www.hillsboroughcounty.org/hss/resources/publications/prosperity/factsheet.pdf> accessed on 1/2/07.

II. Method of Analysis.

We measure the economic impact of the Prosperity Campaign in Hillsborough County, in Pinellas County, and in a region that combines both counties. We base the measured economic impact on historical data for Tax Years 2004 and 2005. United Way of Tampa Bay Inc. gathered the data and provided it to us. This data can be viewed in **Table A1** of **Appendix A**.⁵ The tax filings were made in calendar years 2005 and 2006, respectively. For the purpose of measuring past economic impacts, we assume that the tax refunds are received and spent by the recipients in the same calendar year as the filing. Then we forecast the economic impacts for 2007 through 2011 based on an assumed three percent nominal growth rate in total dollar amounts to be received by claimants.

In order to estimate the past economic impacts and forecast future impacts we use the *REMITM Policy Insight* economic model. We describe the model in **Appendix B**. We subtract the dollar amounts of claimed refunds from the model's Consumer Spending variables to estimate or forecast economic impacts. Using information from the Bureau of Labor Statistics, we analyze a low household income (\$10,000 to \$14,999) response and a moderate household income (\$30,000 to \$39,999) response.⁶

Economic impact analysis includes a direct effect as well as an indirect effect. In the case of this analysis, the direct effect is consumer spending of the tax refunds by the claimants. An implied assumption is that this spending would not occur if the Prosperity Campaign did not exist to help the claimants receive their tax refunds. Although the Prosperity Campaign also assists persons who are not eligible for the Earned Income Tax Credit (EITC) or Child Tax Credit (CTC), we especially believe that many persons in low income households would not apply for the EITC or CTC, when they are eligible, without assistance. Consumer spending of the tax refunds creates jobs. In turn, these jobs motivate the creation of additional jobs, which we call the indirect effect. This phenomenon of job creation, with concomitant increased levels of wages and output, is called the multiplier or ripple effect.

In this analysis, we report economic impact in terms of employment, output, and wage and salary disbursements. Employment refers to jobs (not necessarily workers, as a worker may hold more than one job), output is defined as sales adjusted for inventory changes, and wage and salary disbursements are monies paid to workers. These three measurements are interrelated descriptors of the same economic impact, such as mass, volume and density can each describe a solid.

⁵ The data in Table A1 of Appendix A is combined for Hillsborough and Pinellas Counties. We also received a breakout of selected data items for Hillsborough County from the Hillsborough County Department of Health and Social Services. The breakout allows us to individually estimate the economic impacts for both counties. We report the selected items in Table A2 and Table A3 for Hillsborough County and Pinellas County, respectively.

⁶ Reference Table 33. Southern region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2003-2004. See Table A4 in Appendix A of this report for the percentage allocated to the REMI Consumer Spending variables.

III. Findings.

Findings given in this section of our report are as follows. First, we present the impact of the Prosperity Campaign (PC) on the economy of Hillsborough County, and then the PC's impact on the economy of Pinellas County. Because Hillsborough and Pinellas counties are adjacent, there is an economic spillover effect from one county into the other. Thus, after individually reporting the economic impacts of the PC for each county, we then report the economic impact for a combined region composed of both counties. (The economic impact of the combined region is slightly greater than the sum of the individual impacts due to the spillover effect.)

In **Table 1** we report the economic impact of the PC for Hillsborough County in calendar years 2005 and 2006. In 2005, total PC-assisted tax refunds equaled \$3,787,976 and in 2006 refunds increased to \$5,895,277. The refunds directly attributable to the EITC and CTC were \$1,763,623 in 2005 and \$2,586,631 in 2006.

Table 1
Economic Impact – Hillsborough County

Panel A Calendar Year 2005 - Low Income Response					Panel B Calendar Year 2005 - Moderate Income Response				
<u>Tax Refunds</u>	<u>Amount</u>	<u>Jobs</u>	<u>Output</u>	<u>Wages</u>	<u>Tax Refunds</u>	<u>Amount</u>	<u>Jobs</u>	<u>Output</u>	<u>Wages</u>
EITC	\$1,145,295	11	\$1,468,800	\$370,000	EITC	\$1,145,295	11	\$1,436,160	\$366,200
CTC	\$618,328	6	\$788,582	\$194,500	CTC	\$618,328	6	\$780,314	\$198,400
EITC & CTC	\$1,763,623	17	\$2,257,382	\$564,500	EITC & CTC	\$1,763,623	17	\$2,216,474	\$564,600
Other	\$2,024,353	20	\$2,581,824	\$646,600	Other	\$2,024,353	20	\$2,390,336	\$650,400
Total	\$3,787,976	37	\$4,839,206	\$1,211,100	Total	\$3,787,976	37	\$4,606,810	\$1,215,000

Panel C Calendar Year 2006 - Low Income Response					Panel D Calendar Year 2006 - Moderate Income Response				
<u>Tax Refunds</u>	<u>Amount</u>	<u>Jobs</u>	<u>Output</u>	<u>Wages</u>	<u>Tax Refunds</u>	<u>Amount</u>	<u>Jobs</u>	<u>Output</u>	<u>Wages</u>
EITC	\$1,846,475	18	\$2,373,096	\$618,000	EITC	\$1,846,475	17	\$2,330,878	\$614,200
CTC	\$740,156	7	\$940,906	\$248,000	CTC	\$740,156	7	\$966,348	\$251,800
EITC & CTC	\$2,586,631	25	\$3,314,002	\$866,000	EITC & CTC	\$2,586,631	24	\$3,297,226	\$866,000
Other	\$3,308,646	32	\$4,238,465	\$1,102,000	Other	\$3,308,646	32	\$3,916,275	\$1,106,000
Total	\$5,895,277	57	\$7,552,467	\$1,968,000	Total	\$5,895,277	56	\$7,213,501	\$1,972,000

Table 1 (continued)
Economic Impact – Hillsborough County

Panel E					Panel F				
% Change 2005 to 2006 - Low Income Response					% Change 2005 to 2006 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	61.22%	63.64%	61.57%	67.03%	EITC	61.22%	54.55%	62.30%	67.72%
CTC	19.70%	16.67%	19.32%	27.51%	CTC	19.70%	16.67%	23.84%	26.92%
EITC & CTC	46.67%	47.06%	46.81%	53.41%	EITC & CTC	46.67%	41.18%	48.76%	53.38%
Other	63.44%	60.00%	64.17%	70.43%	Other	63.44%	60.00%	63.84%	70.05%
Total	55.63%	54.05%	56.07%	62.50%	Total	55.63%	51.35%	56.58%	62.30%

Panels A and B, Table 1, show the low household income response and the moderate household income response, respectively, for 2005. The difference between these two responses is small, but consistent with the principle that low income households spend more locally than relatively higher income households. For either response, the economic impact measured by employment totals 37 jobs. Seventeen of those jobs are a consequence of the EITC and CTC refunds. We estimate the total increase in output (sales) in Hillsborough County to be between \$4.83 million and \$4.61 million.⁷ We attribute between \$2.26 million and \$2.22 million of the total output to EITC and CTC refunds. Further, we estimate that the 37 new jobs generate \$1.21 million in wages for the jobholders.

Panels C and D, Table 1, show the low household income response and the moderate household income response, respectively, for 2006. As in 2005, the difference between these two responses is small. But the difference in 2006 is more than the previous year because the total amount of tax refunds is greater in 2006 than 2005. This illustrates that as the PC matures and encompasses greater tax refunds, a focus on low income households is likely to have a larger economic impact on the County’s economy. In 2006, the total impact is about 56 jobs, paying wages of \$1.97 million, and producing output valued between \$7.55 million and \$7.21 million. We attribute about \$3.30 million of the total increase in output to EITC and CTC refunds, with a concomitant share of the new jobs and wages.

Panels E and F, Table 1, report the calculated percent changes in the tax refunds from 2005 to 2006 and the associated percent changes for the measurements of economic impact from 2005 to 2006 for the low and moderate income responses. Presumably, because the PC was in its nascent stage from 2005 to 2006, relatively large gains in the tax refunds generate by the program were achieved. Total tax refunds increased by 55.63% in 2006 over 2005. Interestingly, CTC refunds experienced a lower percent gain than other categories at 19.70% in 2006 over 2005. The year-over-year percent increase in economic impact, as measured by output, was just over 56.00%. The percent increases

⁷ Throughout our report the ranges for the measures of economic impact are for the low household income response, e.g. \$4.83 million, followed by the moderate household income response, e.g. \$4.61 million.

in all measurements of economic impact were consistent with the percent increase in the tax refunds.

In **Table 2** we report the economic impact of the PC for Pinellas County in calendar years 2005 and 2006. In 2005, total PC-assisted tax refunds totaled \$7,010,555 and in 2006 refunds increased to \$9,003,016. The refunds directly attributable to the EITC and CTC were \$2,711,199 in 2005 and \$3,228,908 in 2006.

Table 2
Economic Impact – Pinellas County

Panel A Calendar Year 2005 - Low Income Response					Panel B Calendar Year 2005 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	\$1,770,791	19	\$2,067,200	\$534,100	EITC	\$1,770,791	19	\$2,058,496	\$528,300
CTC	\$940,408	10	\$1,087,456	\$282,300	CTC	\$940,408	10	\$1,099,968	\$282,300
EITC & CTC	\$2,711,199	29	\$3,154,656	\$816,400	EITC & CTC	\$2,711,199	29	\$3,158,464	\$810,600
Other	\$4,299,356	47	\$5,017,856	\$1,297,000	Other	\$4,299,356	47	\$5,013,504	\$1,289,000
Total	\$7,010,555	76	\$8,172,512	\$2,113,400	Total	\$7,010,555	76	\$8,171,968	\$2,099,600

Panel C Calendar Year 2006 - Low Income Response					Panel D Calendar Year 2006 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	\$2,135,241	22	\$2,538,635	\$679,000	EITC	\$2,135,241	22	\$2,547,523	\$677,100
CTC	\$1,093,667	11	\$1,300,981	\$351,000	CTC	\$1,093,667	11	\$1,305,425	\$349,000
EITC & CTC	\$3,228,908	33	\$3,839,616	\$1,030,000	EITC & CTC	\$3,228,908	33	\$3,852,948	\$1,026,100
Other	\$5,774,108	61	\$6,861,536	\$1,822,000	Other	\$5,774,108	61	\$6,857,092	\$1,820,000
Total	\$9,003,016	94	\$10,701,152	\$2,852,000	Total	\$9,003,016	94	\$10,710,040	\$2,846,100

Panel E % Change 2005 to 2006 - Low Income Response					Panel F % Change 2005 to 2006 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	20.58%	15.79%	22.81%	27.13%	EITC	20.58%	15.79%	23.76%	28.17%
CTC	16.30%	10.00%	19.64%	24.34%	CTC	16.30%	10.00%	18.68%	23.63%
EITC & CTC	19.10%	13.79%	21.71%	26.16%	EITC & CTC	19.10%	13.79%	21.99%	26.59%
Other	34.30%	29.79%	36.74%	40.48%	Other	34.30%	29.79%	36.77%	41.19%
Total	28.42%	23.68%	30.94%	34.95%	Total	28.42%	23.68%	31.06%	35.55%

Panels A and B, Table 2, show the low household income response and the moderate household income response, respectively, for 2005. As in Hillsborough County, the difference between these two responses in Pinellas County is small, but consistent with the principle that low income households spend more locally than relatively higher income households. For either response, the economic impact measured by employment totals 76 jobs. Twenty-nine of those jobs are a consequence of the EITC and CTC refunds. We estimate the total increase in output in Pinellas County at \$8.17 million. We attribute about \$3.15 million of the total output to EITC and CTC refunds. Further, we estimate that the 76 new jobs generate about \$2.11 million in wages for the jobholders.

Panels C and D, Table 2, show the low household income response and the moderate household income response, respectively, for 2006. The difference between the responses in 2006 is more than the previous year, because the total amount of tax refunds is greater in 2006 than 2005. This illustrates that as the PC matures and encompasses greater tax refunds, a focus on low income households is likely to have a larger economic impact on the County's economy. In 2006, the total impact is 94 jobs, paying wages of \$2.85 million, and producing output valued slightly more than \$10.70 million. We attribute about \$3.85 million of the total increase in output to EITC and CTC refunds, with a concomitant share of the new jobs and wages.

Panels E and F, Table 2, report the calculated percent changes in the tax refunds from 2005 to 2006. Total tax refunds increased by 28.42%% in 2006 over 2005. EITC and CTC refunds rose by 20.58% and 16.30%, respectively. Panels E and F, Table 2, also report the associated percent changes for the measurements of economic impact from 2005 to 2006 for the low and moderate income responses. The year-over-year percent increase in economic impact, as measured by output, was just over 30.00%. The percent increases in all measurements of economic impact were consistent with the percent increase in the tax refunds.

In **Table 3** we report the economic impact of the PC for the combined region composed of both Hillsborough and Pinellas counties in calendar years 2005 and 2006. In 2005, total PC-assisted tax refunds totaled \$10,798,531 and in 2006 refunds increased to \$14,898,293. The refunds directly attributable to the EITC and CTC were \$4,474,822 in 2005 and \$5,815,539 in 2006.

Table 3
Economic Impact – Hillsborough Co. & Pinellas Co. Region

Panel A Calendar Year 2005 - Low Income Response					Panel B Calendar Year 2005 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	\$2,916,086	35	\$4,066,944	\$1,030,000	EITC	\$2,916,086	34	\$4,050,624	\$1,030,000
CTC	\$1,558,736	18	\$2,174,912	\$553,100	CTC	\$1,558,736	18	\$2,158,592	\$549,300
EITC & CTC	\$4,474,822	53	\$6,241,856	\$1,583,100	EITC & CTC	\$4,474,822	52	\$6,209,216	\$1,579,300
Other	\$6,323,709	76	\$8,832,384	\$2,251,000	Other	\$6,323,709	76	\$8,615,872	\$2,251,000
Total	\$10,798,531	129	\$15,074,240	\$3,834,100	Total	\$10,798,531	128	\$14,825,088	\$3,830,300

Panel C Calendar Year 2006 - Low Income Response					Panel D Calendar Year 2006 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	\$3,981,716	45	\$5,661,656	\$1,488,000	EITC	\$3,981,716	45	\$5,628,326	\$1,488,000
CTC	\$1,833,823	21	\$2,644,180	\$698,100	CTC	\$1,833,823	21	\$2,610,850	\$694,300
EITC & CTC	\$5,815,539	66	\$8,305,836	\$2,186,100	EITC & CTC	\$5,815,539	66	\$8,239,176	\$2,182,300
Other	\$9,082,754	106	\$12,932,040	\$3,399,000	Other	\$9,082,754	105	\$12,598,740	\$3,391,000
Total	\$14,898,293	172	\$21,237,876	\$5,585,100	Total	\$14,898,293	171	\$20,837,916	\$5,573,300

Panel E % Change 2005 to 2006 - Low Income Response					Panel F % Change 2005 to 2006 - Moderate Income Response				
Tax Refunds	Amount	Jobs	Output	Wages	Tax Refunds	Amount	Jobs	Output	Wages
EITC	36.54%	28.57%	39.21%	44.47%	EITC	36.54%	32.35%	38.95%	44.47%
CTC	17.65%	16.67%	21.58%	26.22%	CTC	17.65%	16.67%	20.95%	26.40%
EITC & CTC	29.96%	24.53%	33.07%	38.09%	EITC & CTC	29.96%	26.92%	32.69%	38.18%
Other	43.63%	39.47%	46.42%	51.00%	Other	43.63%	38.16%	46.23%	50.64%
Total	37.97%	33.33%	40.89%	45.67%	Total	37.97%	33.59%	40.56%	45.51%

Panels A and B, Table 3, show the low household income response and the moderate household income response, respectively, for 2005. The difference between these two responses is still relatively small, but greater than in either county when individually considered because the combined tax refunds are larger. For either response, the economic impact measured by employment is approximately 128 jobs. About 52 of those jobs are a consequence of the EITC and CTC refunds. We estimate the total increase in output in the regional economy to be between \$15.07 million and \$14.83 million. We attribute between \$6.24 million and \$6.21 million of the total output to EITC and CTC refunds. Further, we estimate that the 128 new jobs generate \$3.83 million in wages for the jobholders.

Panels C and D, Table 3, show the low household income response and the moderate household income response, respectively, for 2006. The difference between the responses in 2006 is more than the previous year, because the total amount of tax refunds is greater in 2006 than 2005. This again illustrates that as the PC matures and encompasses greater tax refunds, a focus on low income households is likely to result in the biggest possible economic impact. For either response, the economic impact measured by employment is approximately 171 jobs. About 66 of those jobs are a consequence of the EITC and CTC refunds. We estimate the total increase in output in the regional economy to be between \$21.24 million and \$20.84 million. We attribute between \$8.31 million and \$8.24 million of the total output to EITC and CTC refunds. Further, we estimate that the 171 new jobs generate \$5.58 million in wages for the jobholders.

Panels E and F, Table 3, report the calculated percent changes in the tax refunds from 2005 to 2006 for the combined region composed of both Hillsborough and Pinellas counties. Total tax refunds increased by 37.97% in 2006 over 2005. EITC and CTC refunds rose by 36.54% and 17.65%, respectively. Panels E and F, Table 2, also report the associated percent changes for the measurements of economic impact from 2005 to 2006 for the low and moderate income responses. The year-over-year percent increase in economic impact, as measured by output, was just over 40.00%. The percent increases in all measurements of economic impact were consistent with the percent increase in the tax refunds.

We also forecast the impacts of the PC for 2007 through 2011 based on an assumed three percent nominal growth rate in total dollar tax refunds to be received by claimants.⁸ We report the forecast for Hillsborough County, for Pinellas County, and then for the combined region composed of both counties.

We show the forecast for Hillsborough County in **Table 4**. In **Panel A** of Table 4 is our expectation that total PC-assisted tax refunds will be over \$6.07 million in calendar year 2007, and rise to \$6.83 million by 2011. Then, the anticipated economic impacts of these tax refunds for a low household income response and a moderate household income response are in **Panels B and C**, respectively. The PC will continue to support over 50 jobs in Hillsborough County. However, due to economy-wide productivity gains, we expect the number of PC-supported jobs to decline very modestly over time. On the other hand, wages and output (sales) will rise along with increasing PC-assisted tax refunds. The wage impact is over \$2.11 million in 2007 and increasing to over \$2.38 million by 2011.

⁸ As reported in Tables 1 through 3, the percent increase in total refunds between 2005 and 2006 far exceeds our assumed rate of three percent. It seems likely that the large increase occurred is because the PC is a new program and that such growth is not sustainable in the long-run. Thus, our forecast is conservative and, to the extent that our assumed three percent annual growth rate turns out to understate actual growth, our forecasted economic impacts will be downward biased.

In 2007, we forecast output just under \$8.00 million, rising to between \$8.79 million and \$8.66 million by 2011. That is an average output of about \$8.30 million per year from 2007 to 2011 or a cumulative contribution of \$41.50 million to Hillsborough County's economy.

Table 4
Forecast of Economic Impact – Hillsborough County

Panel A - Nominal 3% Annual Increase

Calendar Year:	2007	2008	2009	2010	2011
Tax Refunds					
EITC	\$1,901,869	\$1,958,925	\$2,017,693	\$2,078,224	\$2,140,571
CTC	\$762,361	\$785,232	\$808,788	\$833,052	\$858,044
EITC & CTC	\$2,664,230	\$2,744,157	\$2,826,482	\$2,911,276	\$2,998,614
Other	\$3,407,905	\$3,510,143	\$3,615,447	\$3,723,910	\$3,835,628
Total	\$6,072,135	\$6,254,299	\$6,441,928	\$6,635,186	\$6,834,242

Panel B - Forecast with Low Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	57	56	55	54	53
Output	\$7,929,441	\$8,167,140	\$8,366,176	\$8,584,950	\$8,793,514
Wages	\$2,127,000	\$2,232,000	\$2,293,000	\$2,354,000	\$2,411,000

Panel C - Forecast with Moderate Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	56	55	54	53	52
Output	\$7,817,472	\$8,070,036	\$8,231,314	\$8,456,690	\$8,661,048
Wages	\$2,110,000	\$2,209,000	\$2,274,000	\$2,331,000	\$2,384,000

We show the forecast for Pinellas County in **Table 5**. In **Panel A** of Table 5 is our expectation that total PC-assisted tax refunds will be over \$9.27 million in calendar year 2007, and rise to \$10.44 million by 2011. Then, the anticipated economic impacts of these tax refunds for a low household income response and a moderate household income response are in **Panels B and C**, respectively. The PC will continue to support around 90 jobs in Pinellas County. However, due to economy-wide productivity gains, we expect the number of PC-supported jobs to decline very modestly over time. On the other hand, wages and output will rise along with increasing PC-assisted tax refunds. The wage impact is over \$3.04 million in 2007 and increasing to over \$3.38 million by 2011.

In 2007, we forecast output slightly over \$11.00 million, rising to about \$12.49 million by 2011. That is an average output of about \$11.80 million per year from 2007 to 2011 or a cumulative contribution of \$59.00 million to Pinellas County's economy.

Table 5
Forecast of Economic Impact – Pinellas County

Panel A - Nominal 3% Annual Increase

Calendar Year:	2007	2008	2009	2010	2011
Tax Refunds					
EITC	\$2,199,298	\$2,265,277	\$2,333,235	\$2,403,233	\$2,475,330
CTC	\$1,126,477	\$1,160,271	\$1,195,079	\$1,230,932	\$1,267,860
EITC & CTC	\$3,325,775	\$3,425,548	\$3,528,315	\$3,634,164	\$3,743,189
Other	\$5,947,331	\$6,125,751	\$6,309,524	\$6,498,809	\$6,693,774
Total	\$9,273,106	\$9,551,300	\$9,837,839	\$10,132,974	\$10,436,963

Panel B - Forecast with Low Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	95	93	91	89	87
Output	\$11,131,302	\$11,501,044	\$11,814,621	\$12,160,500	\$12,491,420
Wages	\$3,046,000	\$3,180,000	\$3,265,000	\$3,334,000	\$3,401,000

Panel C - Forecast with Moderate Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	94	93	90	88	86
Output	\$11,131,302	\$11,509,136	\$11,805,157	\$12,136,300	\$12,491,420
Wages	\$3,035,000	\$3,168,000	\$3,254,000	\$3,321,000	\$3,380,000

We show the forecast for the combined region of Hillsborough and Pinellas counties in **Table 6**. In **Panel A** of Table 6 is our expectation that total PC-assisted tax refunds will be over \$15.34 million in calendar year 2007, and rise to \$17.27 million by 2011. Then, the anticipated economic impacts of these tax refunds for a low household income response and a moderate household income response are in **Panels B and C**, respectively. The PC will continue to support around 160 jobs in the region. However, due to economy-wide productivity gains, we expect the number of PC-supported jobs to drop from about 172 jobs in 2007 to about 158 in 2011. On the other hand, wages and output will rise along with increasing PC-assisted tax refunds. The wage impact is over \$5.98 million in 2007 and increasing to over \$6.76 million by 2011.

In 2007, we forecast output slightly over \$22.00 million, rising to about \$24.97 million by 2011. That is an average output of about \$23.62 million per year from 2007 to 2011 or a cumulative contribution of \$118.10 million to the region's economy.

Table 6
Forecast of Economic Impact – Hillsborough Co. & Pinellas Co. Region

Panel A - Nominal 3% Annual Increase

Calendar Year:	2007	2008	2009	2010	2011
Tax Refunds					
EITC	\$4,101,167	\$4,224,203	\$4,350,929	\$4,481,456	\$4,615,900
CTC	\$1,888,838	\$1,945,503	\$2,003,868	\$2,063,984	\$2,125,903
EITC & CTC	\$5,990,005	\$6,169,705	\$6,354,796	\$6,545,440	\$6,741,804
Other	\$9,355,237	\$9,635,894	\$9,924,971	\$10,222,720	\$10,529,401
Total	\$15,345,242	\$15,805,599	\$16,279,767	\$16,768,160	\$17,271,205

Panel B - Forecast with Low Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	173	170	166	163	159
Output	\$22,212,840	\$23,050,640	\$23,683,660	\$24,369,400	\$25,119,020
Wages	\$6,012,000	\$6,310,000	\$6,508,000	\$6,664,000	\$6,805,000

Panel C - Forecast with Moderate Income Response

Economic Impact	2007	2008	2009	2010	2011
Jobs	171	169	165	161	158
Output	\$22,088,430	\$22,935,040	\$23,518,040	\$24,224,200	\$24,970,460
Wages	\$5,981,000	\$6,283,000	\$6,462,000	\$6,622,000	\$6,760,000

IV. Conclusions.

In this analysis we estimate the economic impact of the Prosperity Campaign (PC). The PC assists residents of Hillsborough and Pinellas counties in Florida. The PC, established in 2004, seeks to ensure that residents, who are eligible for the Earned Income Tax Credit (EITC) or Child Tax Credit (CTC), claim their full refunds from the federal government's Internal Revenue Service.

We measure the economic impact of the PC in Hillsborough County, in Pinellas County, and in a region that combines both counties. We base the measured economic impact on historical data for tax years 2004 and 2005, for which tax filings are made and refunds are received in the following year. We report economic impact in terms of employment, output (sales), and wages. We presume that the recipients spend their tax refunds for personal consumption and measure the impact for a low household income response and a moderate household income response. We conclude that the low household income response generates greater impacts than the moderate household income response. This is particularly relevant to this study because the EITC is an income tax credit for employed persons, who do not earn high incomes. Thus, the PC is particularly directed at low income households.

In Hillsborough County, total PC-assisted tax refunds in 2005 equaled \$3,787,976 and in 2006 refunds increased to \$5,895,277. The refunds directly attributable to the EITC and CTC were \$1,763,623 in 2005 and \$2,586,631 in 2006. In 2005 the impact of the refunds was 37 jobs paying wages of about \$1.21 million and increased output between \$4.83 and \$4.60 million. In 2006 the impact of the refunds was 56 jobs paying wages of about \$1.97 million and increased output between \$7.55 and \$7.21 million.

In Pinellas County, total PC-assisted tax refunds in 2005 equaled \$7,010,555 and in 2006 refunds increased to \$9,003,016. The refunds directly attributable to the EITC and CTC were \$2,711,199 in 2005 and \$3,228,908 in 2006. In 2005 the impact of the refunds was 76 jobs paying nearly \$2.12 million in wages, while increasing output by about \$8.17 million. In 2006 the impact of the refunds was 94 jobs paying wages of about \$2.85 million and increased output between \$10.70 and \$10.71 million.

In the combined Hillsborough-Pinellas region, total PC-assisted tax refunds in 2005 equaled \$10,798,531 and in 2006 refunds increased to \$14,898,293. The refunds directly attributable to the EITC and CTC were \$4,474,822 in 2005 and \$5,815,539 in 2006. In 2005 the impact of the refunds was 128 jobs paying almost \$3.84 million in wages, while increasing output between \$15.07 and \$14.83 million. In 2006 the impact of the refunds was 171 jobs paying wages of about \$5.80 million and increased output between \$21.24 and \$20.84 million.

We also forecast the impacts of the PC for 2007 through 2011 based on an assumed three percent nominal growth rate in total dollar tax refunds to be received by claimants. Due to economy-wide productivity gains, we expect the number of PC-

supported jobs to decline very modestly over time. On the other hand, wages and output (sales) will rise along with increasing PC-assisted tax refunds.

For Hillsborough County in 2007, we forecast increased PC-assisted output just under \$8.00 million, rising to between \$8.79 million and \$8.66 million by 2011. That is an average output of about \$8.30 million per year from 2007 to 2011 or a cumulative contribution of \$41.50 million to the County's economy. For Pinellas County in 2007, we forecast output slightly over \$11.00 million, rising to about \$12.49 million by 2011. That is an average output of about \$11.80 million per year from 2007 to 2011 or a cumulative contribution of \$59.00 million to Pinellas County's economy. For the two-county region in 2007, we forecast output slightly over \$22.00 million, rising to about \$24.97 million by 2011. That is an average output of about \$23.62 million per year from 2007 to 2011 or a cumulative contribution of \$118.10 million to the region's economy.

We conclude that the PC not only assists individuals obtain tax refunds that might otherwise go unclaimed, but also boosts the local economy through increased consumer spending by the tax refund claimants.

Appendix A

Performance Indicators – Combined Results

Table A1
 Prosperity Campaign of Hillsborough & Pinellas Counties
 Performance Indicators - Combined Results
 Information provided by County Coordinators/Matrix prepared by Debra Faulk
 24-May-06

	<u>Pinellas</u> 4/22/2006	<u>Hills.</u> 5/16/2006	COMBINED TOTAL		Variance	2005 Increase/ Decrease v. 2004
			<u>Tax Year</u> 2005	<u>Tax Year</u> 2004		
<i>Reported as of:</i>						
COMMUNITY SERVED:						
Total free PC tax prep sites	38	25	63	74	85.14%	-14.86%
AARP TaxAide Foundation	31	14	45	63	71.43%	-28.57%
VITA (Volunteer Income Tax Assistance)	7	2	9	6	150.00%	50.00%
The Benefit Bank	0	9	9	5	180.00%	80.00%
CLIENTS SERVED:						
# of tax returns prepared	10,860	5,574	16,434	15,043	109.25%	9.20%
# of e-file returns	10,853	5,299	16,152	10,900	148.18%	48.18%
# claiming EITC	1,740	1,342	3,082	2,357	130.76%	30.76%
% of tax returns prepared with EITC	16.03%	24.07%	18.76%	15.86%	118.28%	18.28%
# claiming CTC	896	619	1,515	1,310	115.65%	15.65%
# of returns via direct deposit	4,096	2,311	6,407	n/a	n/a	n/a
% of PC clients using direct deposit	37.49%	41.46%	39.00%	n/a	n/a	n/a
FAMILY FINANCIAL IMPACT						
\$ tax refund claimed	\$9,003,016	\$5,895,277	\$14,898,293	\$10,798,531	137.97%	37.97%
\$ amount of EITC & CTC	\$3,228,908	\$2,586,631	\$5,815,539	\$4,474,822	129.96%	29.96%
% of refund claimed that is EITC & CTC	35.86%	43.88%	39.03%	41.43%	94.21%	-5.79%
\$ amount of EITC	\$2,135,241	\$1,846,475	\$3,981,716	\$2,916,086	136.54%	36.54%
% of refund claimed that is EITC	23.71%	31.32%	26.72%	27.00%	98.96%	-1.04%
\$ amount of CTC	\$1,093,667	\$740,156	\$1,833,823	\$1,558,736	117.65%	17.65%
% of refund claimed that is CTC	12.15%	12.56%	12.13%	14.43%	84.06%	-15.94%
VOLUNTEER/STAFF SERVICE:						
# of volunteer & staff	150	250	400	400	100.00%	0.00%
Total hours of volunteer & staff service	13,809	15,500	29,309	84,800	34.56%	-65.41%
# volunteer & staff site hours	10,000	13,000	23,000	80,000	28.75%	-71.25%
# volunteer & staff training hours	3,809	2,500	6,309	4,800	131.44%	31.44%
<i>NOTE: The figures from 2004 are in dispute; the variances should be viewed with that in mind.</i>						
OUTREACH:						
Calls logged during 2005 Tax Season	2,144	2,311	4,455	3,500	n/a	20.17%
% increase of calls in 2005 v. 2004	42.93%	15.55%	n/a	n/a	n/a	

Table A2
Prosperity Campaign of Hillsborough County

Information provided by the County Health & Social Services Department

	Tax Year 2005	Tax Year 2004
\$ amount of EITC	\$1,846,475	\$1,145,295
\$ amount of CTC	\$740,156	\$618,328
\$ amount of EITC & CTC	\$2,586,631	\$1,763,623
\$ other refunds	\$3,308,646	\$2,024,353
\$ tax refund claimed	\$5,895,277	\$3,787,976

Table A3
Prosperity Campaign of Pinellas County

Information calculated by CEDR

	Tax Year 2005	Tax Year 2004
\$ amount of EITC	\$2,135,241	\$1,770,791
\$ amount of CTC	\$1,093,667	\$940,408
\$ amount of EITC & CTC	\$3,228,908	\$2,711,199
\$ other refunds	\$5,774,108	\$4,299,356
\$ tax refund claimed	\$9,003,016	\$7,010,555

Table A4

REMI Consumer Spending Variables	BLS Survey Item	Low Income Response		Medium Income Response	
		\$10,000 to \$14,999	% of Total	\$30,000 to \$39,999	% of Total
Vehicles and Parts	Vehicle purchases	\$1,437	12.67%	\$3,198	16.08%
	Other vehicle expenses	\$914		\$1,992	
Computers and Furniture	Household furnishings and equipment	\$496	2.67%	\$1,011	3.13%
Other Durables	Television, radios and sound equipment	\$444	2.39%	\$635	1.97%
Food and Beverage	Food	\$3,362	18.88%	\$4,688	15.21%
	Alcoholic Beverage	\$141		\$221	
Clothing and Shoes	Apparel and services	\$798	4.30%	\$1,302	4.03%
Gasoline and Oil	Gasoline and motor oil	\$790	4.26%	\$1,419	4.40%
Fuel Oil and Coal	Utilities, fuels and public services	\$2,174	11.72%	\$2,735	8.47%
Other Non-Durables	Reading	\$48	2.58%	\$73	3.00%
	Tobacco products and smoking supplies	\$280		\$337	
	Other entertainment supplies	\$33		\$212	
	Pets, toys, hobbies, etc.	\$118		\$345	
Housing	Shelter	\$3,349	18.05%	\$5,756	17.83%
Household Operation	Household operations	\$246	2.87%	\$461	2.88%
	Housekeeping supplies	\$286		\$467	
Transportation	Public Transportation	\$67	0.36%	\$151	0.47%
Medical Care	Health Care	\$1,717	9.25%	\$2,287	7.09%
Other Services	Personal care products and services	\$282	10.00%	\$444	15.45%
	Fees and admissions	\$75		\$245	
	Education	\$279		\$244	
	Personal insurance and pensions	\$591		\$2,795	
	Cash contributions	\$375		\$836	
	Miscellaneous	\$253		\$421	
Total		\$18,555	100.00%	\$32,275	100.00%
	Avg. annual exp.	\$18,557		\$32,275	

Source: BLS Table 33. Southern Region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2003-2004

Appendix B

Regional Economic Development Policy Analysis

*The Center for Economic Development Research (CEDR), College of Business Administration, University of South Florida (USF), uses the **REMI Policy Insight™** model to estimate economic and demographic effects that policy initiatives or external events may cause on a regional economy. Data - the last available historical year is 2003 - for each of USF's seven county economic development region, Hernando, Hillsborough, Manatee, Pasco, Pinellas, Polk and Sarasota; as well as the counties of Brevard, Lake, Orange, Osceola, Seminole and Volusia; and a consolidation of the remaining 54 Florida counties are available. The REMI software is managed by CEDR and available to the USF community for research and teaching purposes. The following article briefly explains the policy insight model.*

Founded in 1980, Regional Economic Models, Inc. (REMI) constructs models that reveal the economic and demographic effects that policy initiatives or external events may cause on a local economy. REMI™ Policy Insight model users include national, regional, state, and city governments, as well as universities, nonprofit organizations, public utilities and private consulting firms. REMI™ users in Florida include the State of Florida (Legislature, Governor's Office, Agency for Workforce Innovation), Tampa Bay Regional Planning Council, the University of South Florida, Florida State University, City of Jacksonville, Florida's Space Coast Economic Development Commission, and the Northeast Florida Regional Planning Council.

REMI™ is a dynamic model that predicts how changes in an economy will occur on a year-by-year basis. The model is sensitive to a wide range of policy and project alternatives as well as interactions between regional economies and the national economy. The model uses data from the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Department of Energy, the Census Bureau and other public sources.

The model's dynamic property means that it forecasts not only what will happen but also when it will happen. This results in long-term predictions that have general equilibrium properties. This means that the long-term properties of general equilibrium models are preserved without sacrificing the accuracy of event timing predictions and without simply taking elasticity estimates from secondary sources.

REMI™ is a structural model, meaning that it clearly includes cause and effect relationships. The model shares two key underlying assumptions with mainstream economic theory: households maximize utility and producers maximize profits. Because these assumptions make sense to most people, the model can be understood by intelligent lay people as well as trained economists.

In the model, businesses produce goods to sell to other firms, consumers, investors, governments and purchasers outside of the region. The output is produced using labor, capital, fuel and intermediate inputs. The demand for labor, capital and fuel

per unit of output depends on their relative costs, because an increase in the price of any one of these inputs leads to substitution away from that input to other inputs. The supply of labor in the model depends on the number of people in the population and the proportion of those people who participate in the labor force. Economic migration affects the population size. People will move into an area if the real after-tax wage rates or the likelihood of being employed increases in a region.

Supply and demand for labor in the model determines the wage rates. These wage rates, along with other prices and productivity, determine the cost of doing business for every industry in the model. An increase in the cost of doing business causes either an increase in price or a cut in profits depending on the market for the product. In either case, an increase in cost would decrease the share of the local and US market supplied by local firms. This market share combined with the demand described above determines the amount of local output. There are also many other feedback loops in the model such as the feedback from changes in wages and employment to income and consumption, the feedback of economic expansion to investment, and the feedback of population to government spending.

REMI™ includes a fiscal impact analysis module, which predicts the changes in tax revenues and public sector spending that result from a change in an economy. This module enhances an understanding of an impact on state and local governments' budgets.

The model brings together the fundamental economic elements mentioned in the previous two paragraphs to determine a baseline forecast for each year. The model includes all the inter-industry relationships that are in an input-output model, like IMPLAN Professional™, and goes beyond the input-output model by including added relationships with population, labor supply, wages, prices, profits, and market shares.