

A Report of the Economic Impact During Fiscal Year 2010 of the Kansas Neurological Institute in Topeka, Kansas

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Prepared for:

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Table of Contents

Executive Summary	3
The Report:	
Introduction	5
Description of the Institute	5
The Economic Impact of the Operations of the Institute during Fiscal Year 2010	6
Revenues for the City of Topeka and Other Local Taxing Districts	11
during Fiscal Year 2010	
Conduct of this Analysis	12

Executive Summary

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting and research firm. The purpose of the analysis was to determine the impact that the Kansas Neurological Institute had on the economy of the Topeka area during fiscal year 2010 (July 1, 2009 to June 30, 2010). The related revenues for State of Kansas, City of Topeka and other local taxing districts were also calculated.

The Institute

The Kansas Neurological Institute, located in Topeka, Kansas, is a state hospital for patients with intellectual disabilities and a component of the Kansas Department of Social and Rehabilitation Services.

The Institute opened on January 5, 1960, with the admission of its first six residents. By November 1960 approximately 200 people had been admitted.

On October 1, 2008, the Institute had 163 residents.

The Institute has 373,688 square feet of buildings and 156,257 square feet of homes for residents on a 180.5 acre site.

During fiscal year 2009, the Institute received funding of \$28.7 million. During fiscal year 2010, the facility had 570.2 full-time equivalent employees and annual payroll costs of \$27 million.

Economic Impact during Fiscal Year 2010

The Institute will have a significant impact on the state's economy during fiscal year 2010. The institute's revenues and expenditures and its employees and their salaries provide direct economic activity. In addition, this activity will ripple through the area's economy supporting indirect benefits including sales in local businesses and organizations, as well as indirect jobs and salaries.

The estimated direct economic impact of the Institute in fiscal year 2010 was \$28 million. The direct revenues of the Institute, its spending and the spending of its workers will generate another \$37 million in sales or economic output in area businesses and other organizations. In total, the economic impact of the Institute in fiscal year 2010 will be \$66 million.

While the Institute employed 570.2 individuals, the Institute's spending and the spending of its workers support another 741 jobs in the area. In total, the Institute supports 1311.2 area jobs.

Similarly, while the salaries and other payroll costs of the Institute's employees total \$27 million in fiscal year 2010, the Institute's spending and the spending of its workers will support another \$35.2 million in salaries for workers in related spin-off jobs supported in the state. Therefore, total salaries and other payroll costs supported by the Institute during the year will total \$62.3 million.

This economic output and related jobs and salaries supported by the Institute are responsible for significant retail sales in the state, spending on lodging and residential property owned or occupied by Institute employees and indirect workers on local tax rolls. These taxable retail sales, spending on lodging and residential property are shown below.

Taxable Retail Sales, Spending on Lodging and Residential Property on Area Tax Rolls Supported by the Institute in Fiscal Year 2010	
Taxable annual retail sales in the area	\$20,832,963
Taxable value of residential property owned or occupied in the Topeka area by Institute employees and indirect workers	\$189,143,264
Annual spending by out-of-town visitors on lodging	\$9,500

The economic activity generated by the Institute translates into substantial revenues for the state and local taxing districts.

Revenues for the State and Local Taxing Districts

The State of Kansas, City of Topeka and other local taxing district will receive the following revenues during fiscal year 2010 as a result of the Institute's presence in the community.

Estimated Revenues for the State of Kansas, the City of Topeka and Other Local Taxing Districts During Fiscal Year 2010 as a Result of the Institute's Presence in the Community			
	State	Local Taxing Districts	Total
Sales taxes	\$1,104,147	\$447,909	\$1,552,056
Transit guest taxes	\$190	\$190	\$380
Property taxes collected on residential property	\$504,042	\$3,283,465	\$3,787,507
State personal income taxes	\$2,554,791		\$2,554,791
State corporate income taxes	\$265,241		\$265,241
Total	\$4,428,412	\$3,731,564	\$8,159,976

Details of this analysis are on the following pages.

A Report of the Projected Economic Impact of the Kansas Neurological Institute

Introduction

This report presents the results of an economic impact analysis performed by Impact DataSource, an Austin, Texas economic consulting and research firm. The purpose of the analysis was to determine the impact that the Kansas Neurological Institute had on the economy of the Topeka area during fiscal year 2010 (July 1, 2009 to June 30, 2010). The related revenues for the State of Kansas, City of Topeka and other local taxing districts were also calculated.

The report presents the following information:

- A description of the Institute,
- The economic impact of the operations of the Institute during fiscal year 2010,
- Annual revenues received by the state and local taxing districts as a result of the Institute's presence in the city,
- An explanation of how the analysis was conducted and some information on Impact DataSource, the firm that conducted this analysis.

A description of the Institute is next.

Description of the Institute

The Kansas Neurological Institute, located in Topeka, Kansas, is a state hospital for patients with intellectual disabilities and a component of the Kansas Department of Social and Rehabilitation Services.

The Institute opened on January 5, 1960, with the admission of its first six residents. By November 1960 approximately 200 people had been admitted.

On October 1, 2008, the Institute had 163 residents.

The Institute has 373,688 square feet of buildings and 156,257 square feet of homes for residents on a 180.5 acre site.

Annual Funding

During fiscal year 2009, the Institute had the following funding:

Annual Funding for the Institute	
Revenue (Medicaid)	\$11,112,811
Fee Fund - Other	\$1,181,122
State Appropriations	\$15,951,318
Other Funds	\$491,622
Total	\$28,736,873

Source: Kansas Neurological Institute,
<http://srskansas.org/kni/Other%20Information/Statistics.htm>

Number of Workers and Annual Salaries

During fiscal year 2010, the Institute had the following number of workers and annual payroll:

Number of Workers and Annual Payroll Costs			
	Full-Time Equivalent Number of Workers	Average Annual Salaries	Total Annual Salaries
Non-professional employees	456	\$28,639	\$12,927,065
Professional employees	114.2	\$54,041	\$5,641,016
Total salary payments	570.2	\$32,564	\$18,568,081
Additional payroll costs:			
Resident workers' salaries			\$171,788
Fringe benefits			\$7,618,560
Holiday pay			\$207,791
Longevity bonuses (all eligible employees)			\$288,800
Shift differential pay primarily for non-professional			\$237,146
Total number of workers and payroll costs	570.2		\$27,092,166

Source: Kansas Neurological Institute

Where Employees Live

According to the Institute, there are currently 487 Institute employees who are Shawnee County residents (92.8% of total employees) and 38 who reside in other counties (7.4%).

The annual economic impact of the operations of the Institute are discussed next.

The Economic Impact of the Operations of the Institute During Fiscal Year 2010

The state of Kansas receives substantial economic benefits from the operations of the Institute. These economic benefits include the following:

- Revenues of the Institute and revenues for area businesses and other organizations,
- Jobs,
- Workers' salaries or personal income,
- Local worker spending, and
- Visitor spending.

These economic impacts may be characterized as direct, indirect and induced, as discussed next.

Types of Impacts that the Operations of the Institute Provide

Direct, Indirect and Induced Economic Impacts

The direct economic impact comes from the operations of the Institute and its employees. From the revenues and spending of the Institute and its employees, indirect and induced benefits or spin-off benefits are supported in the state.

Indirect sales, jobs and salaries are supported in area businesses and organizations, such as food distribution companies, air conditioning service firms, office supply firms, etc. that supply goods and services to the Institute. In addition, induced sales, jobs and salaries are supported in area businesses or organizations, such as restaurants, gas stations, banks, book stores, grocery stores, apartment complexes, convenience stores, computer stores, service companies, etc. that supply goods and services to the Institute's employees and their families and, in turn, to workers in indirect jobs and their families.

To estimate the indirect and induced economic impact of the Institute and its employees on the state of Kansas, regional economic multipliers were used. Regional economic multipliers for Kansas and areas of the state are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis:

- An output multiplier,
- An employment multiplier and
- An earnings multiplier.

An output multiplier was used to estimate the additional sales or output created by the Institute in area businesses or organizations. An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the Topeka area by the Institute. Similarly, an earnings multiplier was used to estimate the amount of salaries paid to workers in these indirect and induced jobs.

The multipliers show (1) the estimated sales or output in area businesses or organizations for each dollar of revenue received by the Institute, (2) the number of indirect and induced jobs created for every one direct job at the Institute and (3) the amount of salaries paid to these workers for every dollar to be paid to an employee of the Institute.

A multiplier of 1.3 was used in this analysis. This means that for every dollar of revenue that the Institute receives, there is \$1.30 in sales or output in area businesses or organizations. Similarly, for every dollar paid to employees at the Institute there is \$1.30 paid to workers in spin-off jobs created in the area. Further, for every employee at the Institute there are an additional 1.30 workers supported in spin-off jobs in the area.

The Economic Impact of the Operations of the Institute During Fiscal Year 2010

As stated before, during fiscal year 2009, the Institute had an annual revenues of \$28,736,873 and 570.2 full-time employees and annual payroll costs of \$27,092,166 in fiscal year 2010.

Since fiscal year 2010 has not been completed, this analysis assumes that fiscal year 2010 revenues will be the same as 2009 revenues.

This activity generated the following direct and indirect economic activity in the state during fiscal year 2010:

Economic Output, Jobs, and Annual Salaries Supported by the Institute in Fiscal Year 2010			
	Economic Output	Jobs	Salaries
Direct	\$28,736,873	570.2	\$27,092,166
Indirect and induced	\$37,357,935	741	\$35,219,816
Total	\$66,094,808	1311.2	\$62,311,982

As shown on above, the estimated direct economic impact of the Institute in fiscal year 2010 was \$28 million. The direct revenues of the Institute, its spending and the spending of its workers will generate another \$37 million in sales or economic output in area businesses and other organizations. In total, the economic impact of the Institute in fiscal year 2010 will be \$66 million.

While the Institute employed 570.2 individuals, the Institute's spending and the spending of its workers support another 741 jobs in the area. In total, the Institute supports 1311.2 area jobs.

Similarly, while the salaries of the Institute's employees total \$27 million in fiscal year 2010, the Institute's spending and the spending of its workers support another \$35.2 million in salaries for workers in related spin-off jobs supported in the area. Therefore, total salaries supported by the Institute during the year will total \$62.3 million.

Out-of-Town Visitors to the Institute

The Institute has some out-of-town visitors during the year including visitors to patients and other visitors.

The estimated number of out-of-town visitors to the Institute and their spending during the year are shown below.

Number of Out-of-Town Visitors to the Institute during Fiscal Year 2010 and Their Spending in the Community	
Estimated number of other out-of-town visitors during the year	100
Average days' stay of each visitor	1.5
Average daily retail spending by each out-of-town visitor	\$50
Average nights stay by each visitor	1
Average nightly room rate at a local motel	\$95
Total retail spending	\$7,500
Total number of room nights	100
Total spending on lodging	\$9,500

As shown above, out-of-town visitors to the Institute spent about \$7,500 in the community during fiscal year 2010 eating in local restaurants and shopping in local stores and another \$9,500 staying overnight at local motels. In total, out-of-town visitors to the Institute spent \$17,000 in the Topeka area during fiscal year 2010.

Taxable Spending in the State

Annual taxable spending by the Institute's employees, workers in spin-off jobs supported in the community and visitors' spending will account for the following retail sales in the Topeka area during the year:

Taxable Retail Spending Supported by the Institute in Fiscal Year 2010		
	Total Salaries, Spending or Sales	Taxable Retail Spending (36% of an Employee's Salary)
Employees at the Institute	\$27,092,166	\$9,753,180
Workers in indirect and induced Jobs	\$35,219,816	\$12,679,134
Out-of-town visitors	\$17,000	\$17,000
Percent of spending in Shawnee County		92.8%
Total	\$62,328,982	\$20,832,963

Residential Property on Local Tax Rolls

As stated before, there are currently 487 Institute employees who are Shawnee County residents (92.8% of total employees) and 38 who reside in other counties (7.4%).

Although the Institute's property is not on local tax rolls, employees and workers in spin-off jobs in the community own or occupy residential property on which they directly or indirectly pay property taxes, as shown below.

Market Value of Residential Property Owned or Occupied by Institute Workers and Indirect Workers in Fiscal Year 2010	
Number of direct and indirect workers supported by the Institute	1,311
Estimated percent of employees who live in Shawnee County	92.8%
Estimated average market value of residential property owned or occupied by workers	\$155,444
Number of students at the Institute from out of town	-
Estimated number of residential units occupied by these students in the community	-
Estimated average market value of a residential unit occupied by these students	\$75,000
Total taxable value of residential property owned or occupied in the Topeka area by the Institute's direct and indirect workers	\$189,143,264

Annual tax revenues for the City of Topeka and other local taxing districts are discussed next.

Net Income of Businesses Subject to Kansas' Corporate Income Taxes

Although the Institute's revenue or net income is not subject to the state's corporate income taxes, the net income of indirect and induced businesses are. The following estimated net income will be subject to corporate income taxes:

Estimated Net Income of Indirect and Induced Businesses Subject to State Corporate Income Taxes	
Revenues of indirect and induced businesses	\$37,357,935
Estimated net income as a percent of revenues	10%
Taxable net income	\$3,735,793

Revenues for the State of Kansas, City of Topeka and Other Local Taxing Districts during Fiscal Year 2011

The State of Kansas, City of Topeka, as well as other local taxing districts, will receive substantial tax revenues from the Institute, its employees, and workers in indirect jobs supported in the area and out-of-town visitors.

Some Tax Rates Used in this Analysis

Some tax rates included in this analysis are shown below.

Some Tax Rates Used in this Analysis	
Sales tax rate:	
State of Kansas	5.30%
City of Topeka	1%
Shawnee County	0.5%
Washburn University	0.65%
Estimated transit guest tax allocated to the City of Topeka	2%
State of Kansas transit guest tax retained by the state	2%
Mill levies:	
State of Kansas	21.5
City of Topeka	32.682
Shawnee County	40.117
Average levy for Auburn/Washburn Unified School District 437 and other districts	50.881
Topeka Transit	3.000
Metropolitan Topeka Airport Authority	1.09
Washburn University	3.316
Topeka & Shawnee County Public Library	8.999
Classification rate for real property used for residential purposes	11.50%
Effective property tax rate as a percent of the appraised or market value of residential property:	
State of Kansas	0.2473%
City of Topeka	0.3758%
Shawnee County	0.4613%
Average levy for Auburn/Washburn Unified School District 437 and other districts	0.5851%
Topeka Transit	0.0345%
Metropolitan Topeka Airport Authority	0.0125%
Washburn University	0.0381%
Topeka & Shawnee County Public Library	0.1035%
Estimated state corporate income tax rate	7.1%
Estimated state personal income tax rate, as a percent of gross income	4.1%

The state and local taxing districts will receive the following estimated revenues during fiscal year 2010 as a result of the Institute's presence in the community:

Estimated Revenues for the State, City, County and Other Local Taxing Districts During Fiscal Year 2010 as a Result of the Institute's Presence in the Area	
Sales taxes to be collected by:	
State of Kansas	\$1,104,147
City of Topeka and other cities in the county	\$208,330
Shawnee County	\$104,165
Washburn University	\$135,414
Total sales tax collections	\$1,552,056
Transit guest taxes to be collected by:	
State of Kansas	\$190
City of Topeka	\$190
Total transit guest tax collections	\$380
Property taxes collected on residential property owned or occupied by direct and indirect workers:	
State of Kansas	\$504,042
City of Topeka and other cities in the county	\$766,036
Shawnee County	\$940,306
Auburn/Washburn Unified School District 437 and other districts	\$1,192,604
Topeka Transit	\$70,317
Metropolitan Topeka Airport Authority	\$25,549
Washburn University	\$77,724
Topeka & Shawnee County Public Library	\$210,928
Total property tax collections	\$3,787,507
State personal income taxes	\$2,554,791
State corporate income taxes	\$265,241
Total revenues for the state and local taxing districts	\$8,159,976

A discussion of the conduct of this analysis is next.

Conduct of this Analysis

Impact DataSource conducted this analysis using data, rates and information supplied by the Greater Topeka Chamber of Commerce and other information obtained by Impact DataSource. In addition, Impact DataSource used some estimates and assumptions.

Impact DataSource is a sixteen-year-old Austin, Texas economic consulting, research and analysis firm. The firm has conducted economic impact analyses of numerous projects in Kansas and 25 other states. In addition, the firm has developed economic impact analysis computer programs for several clients.

The firm's Principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State Institute, Thibodaux, Louisiana.