



KENAI PENINSULA BOROUGH SCHOOL DISTRICT

Office of Superintendent

Dr. Steve Atwater, Superintendent of Schools
148 North Binkley Street Soldotna, Alaska 99669-7553
Phone (907) 714-8888 Fax (907) 262-9132

M E M O R A N D U M

DATE: May 23, 2011
TO: Members, Board of Education
FROM: Steve Atwater, Ph.D. 
Superintendent of Schools
RE: Economic Significance Report

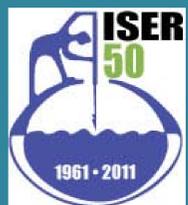
Background: Last year I contacted ISER (Institute of Social and Economic Research) to learn if they would be interested in conducting an economic impact study of KPBSD on the Kenai Peninsula Borough. They agreed to do so, but changed the assignment from an impact study to an economic significance study. Because ISER primarily used a student in economics that had a fellowship with them to conduct this study, they did not charge us for this service.

The study used the economic model created by ISER's Dr. Scott Goldsmith. The main findings of the report include:

- Through direct jobs and payroll the district creates an additional 880 jobs. In another sense there is \$33,710,222 in payroll generated by the employment and spending of the district on top of the \$64,154,347 of direct wages paid by the district.
- The extra payroll represents \$33.7 million dollars that would not be circulating within the economy without the school district.
- For every one-dollar of district payroll, 30 additional cents are created through indirect and induced economic activity.

A copy of the poster that summarizes the study's findings is included with this memo. The full report that includes a detail of the methodology will be sent to you as soon as it is available.

Reason for this Worksession: To share the findings of the ISER Economic Significance Report. I will introduce these findings to the Borough Assembly at our quarterly update on June 7.



Economic Significance of the Kenai Peninsula Borough School District on the Kenai Peninsula Borough

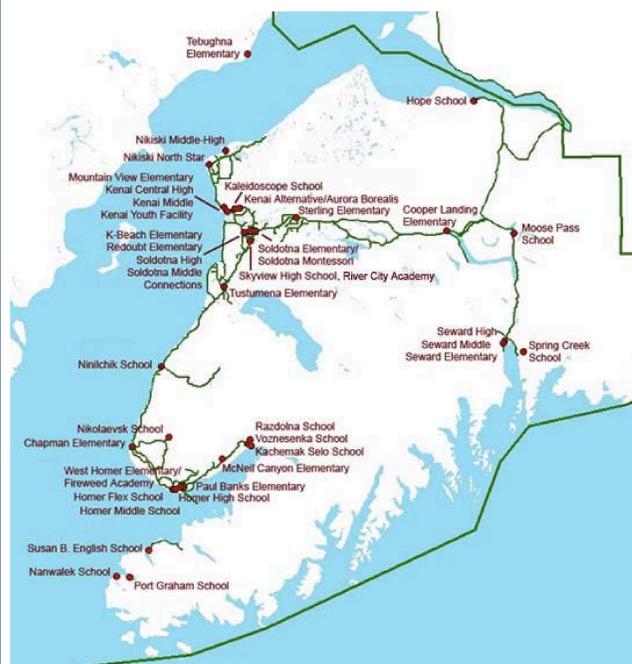


Kim Pitney

Abstract

The purpose of this study was to evaluate the economic significance of the Kenai Peninsula Borough School District within the Kenai Peninsula Borough. We use an Alaska-specific Input-Output (I-O) model created by Dr. Scott Goldsmith of ISER, custom designed for the Alaskan economy to “relate changes in spending in a particular industry to total changes in jobs and income in the Alaska economy.”

The school district directly created 1468.4 jobs and about \$109 million dollars was spent in south central Alaska. Based on the results of the model, this created 628.6 jobs, mostly in the borough, but with some located in Anchorage. These figures highlight the school district’s role in the private as well as the public sector of the Kenai Peninsula Borough economy.



Objectives

This study was commissioned by the Kenai Peninsula Borough School District to assess the economic significance of the school district on the Kenai borough.

It is important to note that this was not an economic *impact* study, but a study of the economic *significance* of expenditures of the KPBSD. This difference, although subtle, is important to understand. Economic significance calculates how much economic activity can be traced to the school district, as it currently exists. Economic impact would estimate how much smaller the KPB economy would be if the school district were not there, taking into account that some other entity may fill the void left by the absence of the district. For the school district, this latter exercise would not make sense, as the state is constitutionally required to provide education to Alaska’s children.

Methods and Materials

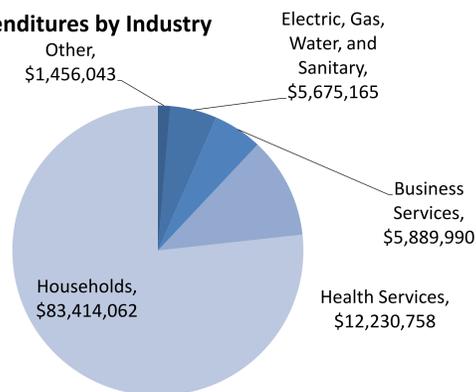
For this study, we use an Alaska-specific Input-Output (I-O) model created by Dr. Scott Goldsmith of ISER². This model is custom designed for the Alaskan economy to “relate changes in spending in a particular industry to total changes in jobs and income in the Alaska economy.”

To estimate the economic significance of KPBSD in the KPB, we start with all district expenditures, as reported in the *Kenai Peninsula Borough School District 2009-2010 Budget*. Expenditures are allocated to (1) the industries that produce the commodities purchased, (2) to households, in the case of salaries and other payments to households, or (3) to “out of state” - money that flows out of the Alaska economy to purchase goods produced elsewhere. This list of expenditures by industry is the change in final demand that is the input data for the I-O model. The model calculates how this money continues to flow through the economy, as businesses and households re-spend the money they receive, giving totals for indirect and induced spending, payroll and jobs.

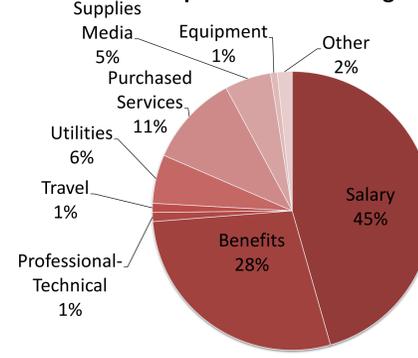
The I-O model we are using divides Alaska into four regions; both Anchorage and the Kenai Peninsula Borough are in the Southcentral Region. Some school district expenditures occur in Anchorage, as are some of the indirect expenditures, so some of the direct, indirect and induced spending, payroll and jobs occur in Anchorage. There is very little leakage of spending into other regions of the state.

The school district budget is not always sufficiently detailed to allow us to allocate spending to industries. For example, allocating travel was not efficient due to the myriad of transportation methods, destinations, and student versus staff differences. The table below shows how expenditures were allocated to industries for this analysis; we were able to allocate over 90% of the district’s total spending.

Allocated Expenditures by Industry



Expenditure Percentage by Object



Results

In the 2009/2010 school year, the KPBSD budgeted \$142 million in expenditures, including salaries, benefits, purchased services and goods. We were able to allocate about \$136 million to households and industries. Of that, about \$27 million flowed out of Alaska, and just under \$109 was actually spent Southcentral Alaska.

Location of Allocated Expenditures

	Instate	Out of State	Total
Salaries	\$64,154,347	\$0	\$64,154,347
Benefits	\$31,956,528	\$26,690,865	\$58,647,393
Professional-Technical	\$1,791,876	\$0	\$1,791,876
Utilities	\$7,336,050	\$553,821	\$7,889,871
Purchased Services	\$3,313,441	\$0	\$3,313,441
Supplies Media	\$21,104	\$13,697	\$34,801
Other	\$92,672	\$0	\$92,672

In addition to district employment of 1,217, the district’s spending supports 251.4 jobs, for a total of 1468.4 direct jobs. As that money continues to circulate through the Alaska economy, it supports over 600 indirect and induced jobs. There is almost \$100 million of payroll associated with these 2,097 district, direct, indirect and induced jobs.

Effects of the KPBSD

	District	Direct	Indirect and Induced	Total
Payroll	\$64,154,347	\$11,026,875	\$22,683,347	\$97,864,569
Employment	1217	251.4	628.6	2097

Results cont.

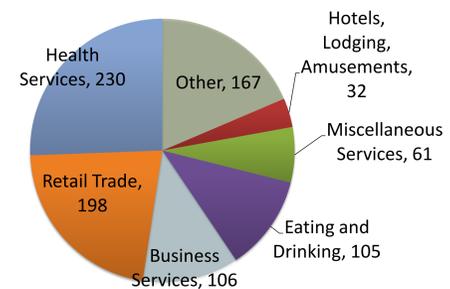
Indirect and Induced Impacts of the KPBSD

It is the direct employment of the district that leads to most of the indirect and induced impacts of the KPBSD on the KPB. The direct employment, which is in itself important, creates a snowball effect in the borough in terms of generating economic activity. Through not only the salaries but also benefits the district is the source of 880 extra jobs throughout the borough. These 880 jobs represent a modest percentage of borough employment that would not exist without the school district, unless there was another entity to fill the gap. For every one school district job .43 jobs are created in the borough through indirect and induced economic activity.

In another sense, for every one-dollar of district payroll 30 additional cents are created through indirect and induced economic activity. There is \$33,710,222 in payroll generated by the employment and spending of the district on top of the \$64,154,347 of direct wages paid by the borough. The extra payroll represents \$33.7 million dollars that would not be circulating within the economy without the school district.

ISER Model Est.

Employment attributed to KPBSD by Industry



Conclusions

The Kenai Peninsula Borough School District is an important part of the Kenai economy. The district provides employment to 1,217 people with a payroll of \$64,154,347, making it the largest employer in the borough. Through direct jobs and payroll the district creates an additional 880 jobs, leading to \$33,710,222 of additional payroll.

References

- Executive Summary: Economics Of Sport Fishing In Alaska, 1999, S. Haley et al.
- Goldsmith, Scott. *The ISER Alaska Input-Output Model*. Working paper, April 2000, ISER.
- KPBSD Finance Department. *Kenai Peninsula Borough School District Annual Budget 2009/2010*.
- Alaska Department of Labor. "Kenai Peninsula Borough." *Alaska Economic Trends*. By Shanks Alyssa and Rasmussen Dean. Juneau: n.p., April 2010. 11-15. State of Alaska. Web, <<http://labor.alaska.gov/trends/apr10.pdf>>.



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