

University of Pittsburgh
Joseph M. Katz Graduate School of Business
Economic Impact Study 2007
Allegheny County Department of Human Services

Executive Summary

“We rightfully focus on the service side of DHS operations, and how we serve as a resource to help families in need, which is our mission and why we turn the lights on everyday,” said Randolph W. Brockington, DHS Deputy director, Office of Administration. “Of equal value is the importance of knowing how DHS contract services positively impact Allegheny County from an economic perspective.”

What does DHS bring to Allegheny County in terms of economic impact through nearly \$1 billion (federal, state and local funding sources) in local contracts for fiscal year 2007?

Answering this question was the charge for a team of analysts at the University of Pittsburgh Joseph M. Katz Graduate School of Business in 2007 as they conducted an independent analysis of the economic impact of the Allegheny County Department of Human Services.

Results

The Katz School study determined that for every \$1.00 in funding that DHS contracts to organizations in Allegheny County, the Department returns \$1.75 to the local Allegheny County community. This multiplier of \$1.75 equates to a \$1.3 billion total economic impact in 2007. Although this is one of the highest ratios of government service viability in the country, the study revealed much more.

Surveying DHS Providers

After being divided by the amount of funding they receive and their service categories, the DHS contract service providers located within the County were given a 14-question survey to complete. The survey revealed that:

- the majority of jobs created by DHS contracts are direct-care positions;
- a majority of DHS-funded agencies are nonprofit, social service agencies and funded at \$1 million or less;
- 70 percent of DHS service provider-funded positions are filled by female workers;
- 32 percent of DHS service provider-funded positions are minority workers;
- 42 percent of DHS service provider-funded workers are college educated; and
- 18,727 jobs are directly supported by DHS contracts with service providers.

After considering the total number of jobs created, workforce demographics, types of business and taxes generated from all of the previous factors, the Katz School analysts scrutinized their survey data in conjunction with relevant, non-confidential data from the DHS Master Provider Index.

Economic impact

The Katz School study uncovered important numbers concerning the economic impact of DHS from a *taxes-generated* perspective. For example:

- federal wage taxes generated by DHS-funded positions in Allegheny County are estimated at \$16.3 million per year;
- Social Security taxes are approximately \$14.1 million for 2007; and
- the local personal income and sales taxes that result from DHS-related jobs total more than \$4.5 million each.

This means that jobs are created (a direct economic impact) and spending increases, affecting local businesses (an indirect impact), which encourages numerous local retail and service industry purchases (an induced impact).

Moving forward

Future analysis of the Department's economic impact would allow DHS to explore factors not covered in this study. For instance, analyzing the data regarding consumers who have benefitted from services provided by DHS and its providers would undoubtedly increase the ratio that shows how much DHS gives back to the Allegheny County community in the form of economic development.

References/More Information

- **Economic Impact Study 2007 – Presentation – Katz Consulting Team**
www.alleghenycounty.us/uploadedFiles/DHS/KatzImpactStudy2007.pdf
- **DHS NEWS – January 2008**
www.alleghenycounty.us/uploadedFiles/DHS/About_DHS/Publications/Newsletter/January2008.pdf