

# **Economic Impact of Ohio's Benefit Bank on the State Economy: Technical Report**

**Prepared by Ohio University's Voinovich School of  
Leadership and Public Affairs  
January 2009**

## Table of Contents

<b>Introduction .....</b>	<b>1</b>
<b>Data Sources .....</b>	<b>2</b>
<b>Methodology.....</b>	<b>3</b>
<b>Results</b>	
<b>Summary .....</b>	<b>4</b>
<b>Food Assistance.....</b>	<b>5</b>
<b>Medical Assistance .....</b>	<b>6</b>
<b>Earned Income Tax Credits .....</b>	<b>7</b>
<b>Stimulus Payments .....</b>	<b>8</b>
<b>2009 Ohio Benefit Bank Economic Projections .....</b>	<b>9</b>

## Introduction

The *Ohio Benefit Bank Statewide Assessment* report provides a summary of the statewide economic and social impacts of The Ohio Benefit Bank program on the state, communities, families and individuals.<sup>1</sup> This companion report presents the methodology used to assess the potential economic impact of the Ohio Benefit Bank (OBB) on the State of Ohio’s economy as well as additional definitions and findings for four key OBB program areas: medical benefits, food assistance, Earned Income Tax Credit (EITC), and stimulus payments.

The Ohio Benefit Bank is an internet-based program offering counselor assistance designed to help Ohio’s citizens and families access food, medical, tax, and community social supports. Currently, the Ohio Benefit Bank provides access to more than 20 work support programs and services as shown in Figure 1.

FIGURE 1. The Ohio Benefit Bank Tax Assistance, Work Support, and Assistance Programs

BENEFIT BANK			
<p><b>Medical Assistance</b></p> <ul style="list-style-type: none"> <li>Healthy Families</li> <li>Healthy Start</li> <li>Medicaid for the Aged, Blind, and Disabled</li> <li>Medicare Premium Assistance Program</li> <li>Medicare Rx Extra Help</li> <li>Ohio’s Best Rx</li> </ul>	<p><b>Tax Assistance</b></p> <ul style="list-style-type: none"> <li>Child Tax Credits</li> <li>Education Credits</li> <li>Federal Earned Income Tax Credit</li> <li>Federal Stimulus Rebates</li> <li>State and Federal Tax Preparation Assistance</li> </ul>	<p><b>Food Assistance</b></p> <ul style="list-style-type: none"> <li>Ohio Food Assistance Program</li> <li>USDA Child Nutrition Programs</li> <li>WIC (Women, Infants, Children)</li> </ul>	<p><b>Community Supports</b></p> <ul style="list-style-type: none"> <li>Child Care Assistance</li> <li>Fatherhood Referral Program</li> <li>Free Application for Federal Student Aid</li> <li>Golden Buckeye Program</li> <li>Home Energy Assistance</li> <li>Ohio Works First</li> <li>Senior Community Service Employment Program</li> <li>Voter Registration</li> </ul>
<p><i>Low-income individuals and children, elderly, and the disabled are connected with medical assistance to ensure their health and stability.</i></p>	<p><i>Individuals are provided with tax preparation assistance and access to federal tax credits and stimulus rebates that add dollars to families’ budgets.</i></p>	<p><i>Low-income individuals are linked with supplemental and child nutrition programs that help keep food on their tables.</i></p>	<p><i>Individuals and families are aided in accessing a variety of other services that promote economic security, job retention and advancement, and civic engagement.</i></p>

As mentioned above, this analysis focuses on the economic impacts of four key OBB program areas:

1. Medical Assistance including Healthy Families, Healthy Start, Medicaid for the Aged, Blind and Disabled, and Medicare Premium Assistance Program
2. The Ohio Food Assistance Program, formally known as the Food Stamp program
3. Federal Earned Income Tax Credits
4. Federal Stimulus Rebates

Accessing the benefits in these four key OBB program areas has direct, indirect, and induced impacts on Ohio’s economy. An explanation of each impact is provided below.

**Direct impacts** are the jobs, wages, and income created when individuals receiving benefits spend those resources at Ohio businesses.

**Indirect impacts** are the additional jobs, wages, and income created when directly impacted businesses buy products and services from other Ohio businesses.

**Induced impacts** are the jobs, wages, and income created when employees of Ohio businesses directly or indirectly impacted spend part of their earnings in Ohio.

<sup>1</sup> Visit <http://www.oashf.org> for a copy of the assessment report.

In short, a dollar spent in any sector of a local economy will generate additional dollars in other sectors. For example, consider an Ohio family receiving a \$1,200 stimulus payment. When that family spends a portion of their stimulus payment at a local grocery store, they support the creation and retention of Ohio jobs and wages. When those grocery store employees spend a portion of their earnings at other Ohio businesses, additional Ohio jobs and wages are created.

This analysis estimates the direct, indirect, and induced impacts on Ohio's economy of medical, food, and tax benefits potentially accessed through The Ohio Benefit Bank. In addition, this analysis estimates the potential state and local taxes generated as a result of accessing these benefits.

## Data Sources

The Ohio Benefit Bank provided data on the dollar value of food assistance, tax credit, medical benefit, and stimulus payments that Ohio Benefit Bank (OBB) clients potentially received for calendar year 2006, 2007, and January 1, 2008 – October 31, 2008.<sup>2</sup> A summary of the information provided by the OBB is shown in Table 1; a definition of each program category is provided below.

**Table 1. Value of benefits potentially received by OBB clients by program type and calendar year**

OBB Program	2006	2007	2008*
Medical Assistance	\$879,541	\$4,478,215	\$18,446,063
Food Assistance	\$351,420	\$1,823,292	\$5,150,016
Tax Assistance	\$50,659	\$635,550	\$3,556,805
Stimulus Payments	na**	na**	\$3,026,119

\*January 1, 2008 – October 31, 2008

\*\*na: Not available. Federal stimulus payments were available only in 2008.

**Food Assistance Benefits.** The annual dollar value of Ohio Food Assistance benefits for which the household was determined to be eligible during an OBB screening.

**Medical Assistance Benefits.** The number of individuals determined to be potentially eligible for Medicaid multiplied by the average annual Medicaid spending per household.

**Tax Credits.** The dollar value of earned income tax credits for which individuals filed through OBB's tax assistance program.

**Stimulus Payments.** The dollar value of stimulus payments for which individuals filed through OBB's tax assistance program.

<sup>2</sup> At the time of this study, the Ohio Benefit Bank was not able to access administrative data that would confirm whether clients visiting the Ohio Benefit Bank ultimately received the benefits for which they were determined to be potentially eligible.

## Methodology

Impact Analysis for Planning (IMPLAN), an econometric modeling program created by MIG Inc. was used to calculate economic impact. IMPLAN utilizes an input-output based model that traces the flow of dollars through more than 400 industrial, governmental, and household sectors. Analysis for OBB 2006 and 2007 benefits data was completed using corresponding year IMPLAN datasets and structural matrices. Year 2008 benefits were analyzed using 2007 IMPLAN datasets and structural matrices, the most recent available at the time of this analysis. To account for price differences due to inflation, 2008 benefit amounts were deflated to year 2007 dollars for analysis and re-inflated to year 2008 dollars for reporting. Social Accounting Matrix (SAM) multipliers were used in all analyses to enable the modeling of household spending impacts on the economy.

The estimated dollar values of benefits for which OBB clients were determined to be potentially eligible were used as inputs for the analysis. It should be noted, however, the actual amount of benefits OBB clients accessed and their associated economic impacts may be greater than or less than those reported.

Three types of impact estimates were calculated: employment impacts, income impacts, and tax impacts. An explanation of each impact estimate is provided below.

**Employment Impacts** reflect the number of Ohio jobs estimated to be created as a result of individuals accessing benefits and those benefits trickling through Ohio's economy. Jobs represent both full-time and part-time employment.

**Income Impacts** are the wages, profits, rents, dividends, interest, and capital gains estimated to be generated in Ohio as a result of individuals accessing benefits and those benefits trickling through Ohio's economy.

**Tax Impacts** are the state and local sales, income, property, social insurance, corporate profit, dividend, and other indirect business taxes estimated to be generated as a result of individuals accessing benefits and those benefits trickling through Ohio's economy.

## Results

A summary of the estimated economic impact of benefits potentially accessed through the OBB across the four program areas is shown in Table 2. In addition, a detailed explanation of each OBB program category and the corresponding analysis can be found in the remainder of the report.

**Table 2. Estimated economic impact of food assistance, tax credits, medical assistance and stimulus payments potentially accessed by OBB clients**

<b>Impacts</b>	<b>2006</b>	<b>2007</b>	<b>2008*</b>	<b>Total</b>
<b>Benefits</b>	\$1,281,620	\$6,937,057	\$30,179,003	\$38,397,680
<b>Income Impact</b>	\$912,065	\$4,583,881	\$19,668,344	\$25,164,290
<b>Tax Impact</b>	\$97,383	\$466,655	\$1,974,547	\$2,538,585
<b>Employment Impact</b>	21	109	453	nc**

\*January 1, 2008 – October 31, 2008

\*\*nc: Not calculated. Employment impacts occur only in the year the benefits were utilized and cannot be summed across years.

- Between January 1, 2006 and October 31, 2008, OBB potentially helped Ohioans access \$38.4 million in benefits.
- If Ohioans accessed and utilized these benefits, an estimated \$25.2 million in income for Ohio businesses, individuals, and families and more than \$2.5 million in state and local taxes would be generated.

## Food Assistance (Formerly Known as Food Stamps)

When a family receives food assistance they are able to reallocate a portion of earnings they would normally spend on groceries to other areas such as transportation, health care, clothing, and housing.<sup>3</sup> This analysis estimated how this additional income would flow through Ohio's economy.

OBB food assistance clients were divided into seven household income categories. Analyzing economic impacts based on household income provides a more accurate representation of the flow of dollars through the economy by accounting for variation in spending patterns among different income households.

For each of the seven income categories and for each program year (2006, 2007, and January 1, 2008 – October 31, 2008), OBB provided the estimated value of food assistance benefits that clients were determined potentially eligible to receive. These estimates served as inputs to the econometric model that was used to analyze economic impacts. The results of the analysis are shown in Table 3.

**Table 3. Estimated economic impact of food assistance benefits**

<b>Impacts</b>	<b>2006</b>	<b>2007</b>	<b>2008*</b>	<b>Total</b>
<b>Benefits</b>	\$351,420	\$1,823,292	\$5,150,016	\$7,324,728
<b>Income Impact</b>	\$188,650	\$882,726	\$2,494,966	\$3,566,342
<b>Tax Impact</b>	\$26,596	\$118,250	\$325,361	\$470,207
<b>Employment Impact</b>	3	16	44	nc**

\*January 1, 2008 – October 31, 2008

\*\*nc: Not calculated. Employment impacts occur only in the year the benefits were utilized and cannot be summed across years.

- Between January 1, 2006 and October 31, 2008, OBB potentially helped Ohioans access \$7.3 million in food assistance benefits.
- If Ohioans accessed and utilized these benefits, an estimated \$3.6 million in income for Ohio businesses, individuals, and families and more than \$470,000 in state and local taxes would be generated.

<sup>3</sup> Tracing the Impacts of Food Assistance Programs on Agriculture and Consumers. Kenneth Hanson, Elise Golan, Stephen Vogel & Jennifer Olmsted. United States Department of Agriculture Food Assistance and Nutrition Research Report Number 18, April 2002.

## Medical Assistance

This analysis estimated how an increase in demand for health care services that could result from access to Medicare health insurance benefits would impact Ohio's economy. The OBB provided the estimated dollar value of medical benefits for which clients were determined to be potentially eligible for each program year (2006, 2007, and January 1, 2008 – October 31, 2008). The value of these benefits were then divided into seven health care service sectors as shown in Table 4, based on an analysis of 2004 Medicaid expenditures among Ohio residents produced by the US Department of Health and Human Services.<sup>4</sup>

**Table 4. Medical benefits expenditures by health care sector**

Health Care Sector	Percent of Benefits	Benefit Amount
Hospital Care	31.9%	\$7,585,361
Physician, Dental and Other Professional Services	5.3%	\$1,266,016
Outpatient Care and Medical and Diagnostic Laboratories	5.2%	\$1,230,948
Home Health Care	2.0%	\$465,900
Drugs and Other Nondurables*	14.5%	\$3,450,233
Nursing Home Care	30.8%	\$7,325,573
Other Personal Health Care	10.4%	\$2,479,788
<b>Total</b>	<b>100.0%</b>	<b>\$23,803,819</b>

\*Margins were applied to adjust for the importation of pharmaceutical and non-durable equipment manufactured out-of-state.

Each of these seven health care sectors has unique economic structure. Analyzing impacts based on the type of service potentially received provides a more accurate representation of the flow of dollars through the economy. Regional Purchase Coefficients (RPCs) were applied to adjust for the purchase of products and services from out-of-state providers. The results of this analysis can be seen in Table 5.

**Table 5. Estimated economic impact of medical benefits**

Impact	2006	2007	2008*	Total
Benefits	\$879,541	\$4,478,215	\$18,446,063	\$23,803,819
Income Impact	\$696,236	\$3,393,709	\$13,980,942	\$18,070,887
Tax Impact	\$66,968	\$307,589	\$1,233,405	\$1,607,962
Employment Impact	17	88	353	nc**

\*January 1, 2008 – October 31, 2008

\*\*nc: Not calculated. Employment impacts occur only in the year the benefits were utilized and cannot be summed across years.

- Between January 1, 2006 and October 31, 2008, OBB potentially helped Ohioans access \$23.8 million in medical assistance benefits.
- If Ohioans accessed and utilized these benefits, an estimated \$18.1 million in income for Ohio businesses, individuals, and families and more than \$1.6 million in state and local taxes would be generated.

<sup>4</sup> Visit <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/additional-exhibits-2004.pdf> to view.

## Earned Income Tax Credits

The federal earned income tax credit helps low-income Ohioans by reducing their tax burden and therefore allowing these households to keep more of their earnings. This analysis estimated how income in an amount equal to the dollar value of the earned income tax credit for which OBB clients were determined to be eligible would flow through Ohio's economy.

OBB clients were divided into seven household income categories. For each income category and for each program year (2006, 2007 and January 1, 2008 – October 31, 2008), OBB provided the amount of federal earned income tax credits for which clients were determined to be eligible. These estimates served as inputs to the model. The results of the analysis are shown in Table 6.

**Table 6. Estimated economic impact of earned income tax credits**

<b>Impacts</b>	<b>2006</b>	<b>2007</b>	<b>2008*</b>	<b>Total</b>
<b>Benefits</b>	\$50,659	\$635,550	\$3,556,805	\$4,243,014
<b>Income Impact</b>	\$27,179	\$307,446	\$1,721,322	\$2,055,947
<b>Tax Impact</b>	\$3,819	\$40,816	\$222,538	\$267,173
<b>Employment Impact</b>	1	6	30	nc**

\*January 1, 2008 – October 31, 2008

\*\*nc: Not calculated. Employment impacts occur only in the year the benefits were utilized and cannot be summed across years.

- Between January 1, 2006 and October 31, 2008, OBB potentially helped Ohioans access \$4.2 million in earned income tax credits.
- If Ohioans accessed and utilized these benefits, an estimated \$2.1 million in income for Ohio businesses, individuals, and families and more than \$267,000 in state and local taxes would be generated.

## Stimulus Payments

In 2008, the OBB helped individuals file for federal stimulus payments. This analysis estimated how additional income OBB clients potentially received would flow through Ohio's economy.

OBB clients were divided into seven household income categories. For each income category, OBB provided the amount of federal stimulus payments for which clients were determined to be eligible. These estimates served as inputs to the model. The results of the analysis are shown in Table 7.

**Table 7. Estimated economic impact of federal stimulus payments**

<b>Impacts</b>	<b>2008*</b>
<b>Benefits</b>	\$3,026,119
<b>Income Impact</b>	\$1,471,114
<b>Tax Impact</b>	\$193,243
<b>Employment Impact</b>	26

*\*January 1, 2008 – October 31, 2008*

- In 2008, OBB helped individuals file for \$3.0 million in federal stimulus payments.
- If individuals received these stimulus payments an estimated \$1.5 million in income for Ohio businesses, individuals, and families and more than \$193,000 in state and local taxes would be generated.

## 2009 Ohio Benefit Bank Economic Projections

The Voinovich School was asked to estimate potential economic impacts if the OBB served 50 percent more food assistance, medical assistance, and earned income tax credit clients in 2009 than were served between January 1, 2008 and October 31, 2008. This analysis estimates the potential economic impact that this projected increase in clients and potential benefits accessed would have on Ohio's economy.

The methodology employed to calculate 2009 projections was the same as that used in the previous analyses. Food assistance and earned income tax credit impacts were modeled as an increase in household income among seven income categories. Medical assistance was modeled as an increase in demand for health care services. 2007 IMPLAN datasets and structural matrices, the most recent available at the time of this study were used. To account for differences between the impact year and the IMPLAN dataset year, 2009 projected benefit amounts were deflated to 2007 dollars for analysis then re-inflated to 2009 dollars for reporting. The results of the analysis are shown in Table 8.

**Table 8. Projected economic impact of food assistance, medical assistance and earned income tax credits, 2009**

<b>Impacts</b>	<b>Medical Assistance</b>	<b>Food Assistance</b>	<b>Earned Income Tax Credits</b>	<b>Total</b>
<b>Benefits</b>	\$27,669,095	\$7,725,024	\$5,335,208	\$40,729,327
<b>Income Impact</b>	\$20,962,167	\$3,749,842	\$2,586,446	\$27,298,455
<b>Tax Impact</b>	\$1,801,835	\$476,419	\$325,857	\$2,604,111
<b>Employment Impact</b>	516	64	45	625

- If the OBB experienced a 50 percent increase in the number of food, medical, and tax assistance clients in 2009, more than \$40.7 million in benefits could potentially be accessed by Ohioans.
- If Ohioans accessed and utilized these benefits, an estimated \$27.3 million in income and more than \$2.6 million in state and local taxes could be generated for Ohio businesses, individuals, and families.