

The Economic and Fiscal Impact of CAPCO-Funded Companies On the District of Columbia

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Executive Summary

The Certified Capital Company (CAPCO) Program was established in the District of Columbia in 2004. Since May of 2005, the three private investment capital firms serving as CAPCO fund managers have invested approximately \$25 million (through 2009) in 25 different District of Columbia businesses. Today, 22 of these companies remain in operation and 20 of these CAPCO-funded companies continue to operate in the District. Their record of performance underscores the importance of providing capital to these early-stage businesses that were previously unable to raise this support from traditional sources. This study focuses on the eighteen CAPCO-funded companies that were in operation in 2008.

A significant measure of the success of these CAPCO-funded companies is provided by the value of follow-on investment capital that these businesses have been able to raise based on their early performance and potential for revenue growth. The CAPCO-funded companies reported that they have been able to raise a total of \$186.8 million in new investment capital since receiving their initial CAPCO investments amounting to \$7.50 in follow-on investment for each \$1 of CAPCO investment.

In addition to stimulating the flow of investment capital to District-based businesses unable to raise capital through traditional means, the CAPCO Program is intended to generate new, high paying jobs in the District of Columbia with at least 25 percent of these being held by DC residents and to increase the District's tax revenues. Payroll and non-payroll spending by CAPCO companies totaled \$77.3 million in 2008, for a gain of 238 percent in comparison with their total outlays in the year prior to receiving their CAPCO investments. DC resident workers and vendors captured \$19.9 million or 25.6 percent of these outlays.

The payroll and non-payroll expenditures of the CAPCO companies for the four years during which the CAPCO Program has been operating are estimated to have totaled \$203.8 million with \$63.8 million (31.3%) of these payments accruing to the benefit of DC resident workers and vendors. The accumulated value of tax revenues

generated by these CAPCO-funded companies, inclusive of the personal income taxes paid by their DC resident employees, totaled an estimated \$14.4 million.

The research results presented in this report found that:

- CAPCO companies had a total of 409 full-time jobs in 2008, up 96 percent from the year prior to receiving their initial CAPCO investment with 32 percent of these full-time jobs (131) being held by District residents.
- CAPCO companies also reported they employed 280 part-time workers in 2008 with 188 or 67 percent of these being District residents.
- In addition to creating new jobs, CAPCO investment has helped the recipient companies preserve or save jobs during the current Recession; CAPCO companies reported that this investment has helped to save 235 jobs that would have been lost in the absence of their CAPCO investments.
- Total payroll spending by CAPCO companies in 2008 was \$28.2 million up 169 percent from the year prior to receiving initial CAPCO investments with payroll outlays totaling \$6.7 million for DC resident CAPCO employees.
- The average wages and salaries of full-time CAPCO employees were \$66,400 in 2008, up 40 percent from the year prior to initial CAPCO funding; full-time DC-resident workers of CAPCO companies had an average salary of \$49,000 in 2008, an increase of 100 percent from the year prior to these companies receiving their initial CAPCO investments.
- CAPCO companies spent \$49.1 million for the purchases of goods and services from local and non-local vendors in support of their 2008 business operations; these non-payroll outlays were up 295 percent from the year preceding their initial CAPCO investment; DC-based vendors received \$13.1 million in outlays from CAPCO companies in 2008.
- The \$19.9 million in CAPCO spending for DC- resident workers and DC-based vendors in 2008 contributed \$26.3 million to the District Gross City Product, supported 100 jobs beyond those directly working for the CAPCO companies and generated \$2.2 million in personal earning to the benefit of DC residents.
- CAPCO companies generated an estimated \$4.93 million in direct tax revenues for the District of Columbia in 2008; additional personal income tax revenues resulting from CAPCO employees (DC residents) and estimated new personal earnings generated as a result of CAPCO company spending in the City totaled \$555,830 in 2008.

- Since May 2005, payroll and non-payroll outlays by CAPCO companies have totaled \$203.8 million with \$63.8 million or 31.3 percent being spent in the District of Columbia.
- CAPCO company outlays, earnings by DC resident employees of CAPCO companies, and personal earnings accruing to DC resident workers as a result of CAPCO-company spending in the District have generated an estimated \$14.4 million in tax revenue for the District of Columbia over the four-year period from 2005 through 2008.

The CAPCO program has generated new jobs, personal income, and sales to the benefit of DC residents and businesses consistent with the Program's stated objectives. These CAPCO investments have succeeded in attracting two out-of-state companies to move their headquarters into the District while one DC-based firm relocated from the District due to its successful expansion subsequent to receiving a CAPCO investment and one company was recently acquired and relocated from the District. Three CAPCO companies have gone out of business since receiving their initial CAPCO investments. The remaining companies have experienced significant growth in jobs (96%), payroll (169%), and non-payroll spending (295%) reflecting an expansion of their business activities following their initial CAPCO investments. Over the first four years of the CAPCO Program it has generated an estimated \$14.4 million in direct tax revenues to the benefit of the District of Columbia.

Introduction

The Certified Capital Company (CAPCO) Program was enacted by the D.C. City Council in 2004 and made its first investments in 2005. Since that time, 25 DC-based companies have benefitted from participation in the CAPCO Program. The analyses presented in this report were designed to assess the outcomes of D.C.'s CAPCO Program and to provide information on the economic and fiscal impacts that have been generated by these CAPCO-funded companies. The specific objectives of this research were:

- (1) to establish an on-going evaluation process for the CAPCO Program in the District of Columbia that will enable its economic and fiscal impacts to be monitored and quantified on an annual basis;
- (2) to quantify the number of direct and indirect jobs supported or created as a result of investments made under the CAPCO Program, the personal income generated as a result of these jobs, and the place of residence of the employees whose jobs are a result of CAPCO investments;
- (3) to determine the business networks (horizontal and vertical linkages) that have resulted from the expansion of businesses receiving CAPCO investments and to

quantify the non-payroll outlays of CAPCO businesses that benefit other DC-based businesses;

(4) to estimate the revenue flows realized by the DC Government as a result of the business activities generated by CAPCO Program beneficiaries including corporate and personal income taxes, sales taxes, fees and other revenue sources; and

(5) to prepare a report on the findings of this research to submit to the Commissioner of the DC Department of Insurance, Securities and Banking.

The key measures of economic impact are jobs and income, especially at this point in the business cycle where businesses in the District of Columbia and throughout the nation have been seriously threatened by the longest and deepest Recession in 60 years. Beyond those fundamental measures—jobs and income—the focus of this funding program on start-up firms and early-stage investments refocuses the impact analyses to questions of what types of businesses were created or assisted and how have these early-stage companies responded to this support—have they expanded, have they been able to leverage additional financial support from otherwise unavailable sources to further their expansion, have they extended their business linkages to other DC-based businesses—as these firms have evolved since being selected for CAPCO funding.

The question of “return on investment” within the public context always raises complicated issues and often defies simple quantitative measurement. The revenues generated by CAPCO-funded companies to the benefit of the DC Treasury represent one measure. However, these CAPCO companies are generally new and small and their earnings and business transactions may not be subject to taxation to the same extent that the more established and larger firms located in the District are. Still, these companies do contribute to the City’s tax base and do represent a new source of revenue, directly and indirectly, that would not have been realized in the District had they not received their CAPCO investments.

This research has another important objective of establishing an independent source of information about the CAPCO Program and the companies it has supported since its establishment in 2004 and that can be updated in the future to provide a database for monitoring the Program’s impacts on small and early-stage businesses in the City. This database is designed for measuring the CAPCO Program’s impacts and contributions towards achieving its economic and fiscal objectives. This information and its annual updating should assist decision makers in both the public and private sectors to better understand and make informed judgments regarding the contributions of the CAPCO Program to the vitality of the City’s business base.

CAPCO Objectives and Requirements

The Certified Capital Company (CAPCO) Program has as its primary objectives to: (1) stimulate the flow of capital to early-stage businesses that are unable to access traditional financing; (2) to build a venture capital infrastructure, (3) to create high-paying jobs, and (4) to increase tax revenues. The District has certified three private investment capital firms as CAPCO fund managers. These are: The Wilshire DC Partners, LLC, Advantage Capital Partners, and Enhanced Capital District Fund, LLC. The capital that these firms has raised for investment in qualified small businesses derive from their own sources or from private capital provided by participating insurance companies. During the first four years of operation (May 2005-October 2009), a total of \$25 million has been invested in 25 small businesses in the District of Columbia (See Appendix A for a listing of CAPCO-funded companies).

In order to qualify for CAPCO funding consideration, a company must be: headquartered in the District, have its principal business operations located in the District, have at least 25 percent of its employees resident of the District, have at least 75 percent of its employees employed in the District, be a small business firm, and must certify that it is unable to obtain conventional financing from a bank or commercial lender.

During the period covered by the Study, three of these CAPCO-funded companies have gone out of business, one has moved its headquarters from the District of Columbia and one has moved its headquarters into the District. Four companies received their initial CAPCO investments after the Study was begun. Of the 18 CAPCO companies analyzed herein, seven are minority owned and two of these are also woman owned.

CAPCO investments have been either loans or equity with some companies receiving multiple awards. Among the major uses of these funds have been: start-up financing (18% of firms cited), expansion of existing businesses (12%), the modernization of facilities (29%), purchase of new equipment (35%), hiring additional employees (65%) and relocation of operations (6%). A wide range of other uses were cited by almost half (47%) of the CAPCO companies underscoring the range of companies participating in the CAPCO program and the flexibility these companies need to grow and develop in a down business cycle.

The availability of this early-stage financing also has helped many of the CAPCO companies to qualify for follow-on financing from more traditional sources even though these funds have been more difficult to leverage during 2008 and 2009 due to the credit crisis underlying the Recession. Still, 65 percent of the CAPCO companies responding to the Survey indicated that they had succeeded in leveraging additional investments following receipt of their initial CAPCO investment.

While it is difficult to secure a complete inventory of all post-CAPCO investment funding secured by the CAPCO companies, information provided in the Survey indicated that a total of \$186.8 million in follow-on funding had been leveraged by the CAPCO companies. With CAPCO investments totaling approximately \$25 million during the first four years of the Program and the CAPCO companies raising an additional \$186.8 million since receipt of their initial CAPCO investment, the return on this CAPCO investment over this period can be estimated at approximately \$7.50 in external capital for each \$1 of CAPCO investment.

Analysis of CAPCO Impacts

The first task in this research was to design and administer a detailed survey to all CAPCO-funded companies. The survey questionnaire was reviewed by the three CAPCO fund managers who were also responsible for distributing and collecting the questionnaire from their respective participating companies. This questionnaire is included in Appendix B. The Survey was conducted between August 1 and October 1, 2009. The results of this Survey provide the database for the analyses presented in this report.

Employment Impacts

One of the primary objectives of the CAPCO program is to generate new high-paying jobs in the District of Columbia with at least 25 percent of these jobs to be held by District residents. The CAPCO company survey gathered information on the employment and wage structure of the CAPCO companies in the year prior to receiving their initial CAPCO investment and for their 2008 employment and wage structure. These data are summarized in Table 1.

The Survey found that the CAPCO companies had a total of 209 full-time jobs prior to receipt of their CAPCO investments with this number growing to 409 jobs in 2008 for a gain of 200 full-time jobs or 95.7 percent. Prior to CAPCO funding, 39.7 percent of the companies' jobs were held by DC residents while by 2008 this percentage was 32.0. Of the 200 new jobs, DC residents held 48 or 24 percent.

The CAPCO companies also generated some new part-time employment opportunities. Prior to CAPCO funding, these companies had few or no part-time employees. In 2008, the CAPCO companies reported they employed 280 part-time workers with 188 (67.1%) of these positions being held by DC residents.

While it is clear that the CAPCO companies have been able to expand their operations as a result of the CAPCO investments they have received during the 2005-2008 period, these companies also reported that they had been able to preserve jobs as a result of this investment that otherwise would have been lost. At the time of the CAPCO program's initiation, the concept of job retention was not commonplace where today, with the District's unemployment rate now exceeding

11 percent and the federal government focusing its economic stimulus grants on job retention as well as job creation, this concept has taken on new meaning—retaining jobs is better than losing jobs. However, job retention is more difficult to measure than job creation or job loss. CAPCO companies were asked to estimate how many jobs they were able to save as a result of receiving their CAPCO investment. They reported that 235 jobs were saved as a result of the CAPCO investment that would have been lost in the absence of this investment.

Table 1

Employment History of CAPCO-Funded Companies*

Work Force	Prior to Funding	2008	Change
Employment			
Full-Time Jobs	209	409	200
DC Residents	83	131	48
Percent in DC	39.7	32.0	
Saved Jobs			235
Part-Time	4	280	276
DC Residents	4	188	184
Percent in DC	100.1	67.1	66.7
Average Salary**	\$47,396	\$66,394	40.1%
DC Residents	\$24,463	\$48,960	100.1%

Source: GMU Center for Regional Analysis

*average of 17 companies responding to survey

**full-time jobs only

The eighteen CAPCO companies represented in the data reported herein reflect a wide range of businesses and, although most would be classified as professional and business services, there are also food service, retail, and real estate/construction companies. As a result of this mix, the wage structures of these companies vary, as does their reliance on part-time workers.

For full-time workers, wage and salary data were requested in the CAPCO company survey. On average, the average annual salary prior to CAPCO investment was \$47,400 and this increased to \$66,400 in 2008, for a gain of 40 percent. Full-time jobs held by DC residents had an average annual salary below the overall average but experienced a greater percentage increase following CAPCO investment, doubling from \$24,500 prior to CAPCO investment to \$49,000 in 2008.

CAPCO Company Non-Payroll Spending

While jobs and income (wages and salaries) are well-accepted measures of economic impact, most companies spend more on non-payroll purchases than they do on payroll outlays. This non-payroll spending can be an important source of business activity in the local economy as well as an indirect source of additional jobs and income that would not have been realized in the absence of these operating expenditures. The average annual outlays for the CAPCO companies are estimated in Table 2 based on their survey responses. In total, these increased from \$22.9 million to \$77.3 million for a gain of 295 percent over the four-year period. And, while payroll outlays were increasing almost 170 percent, as discussed above, non-payroll outlays constituted a larger portion of total outlays (63.5%) and experienced greater growth (295.3%).

Table 2

Payroll and Non-Payroll Spending by CAPCO-Funded Companies*

Budget	Prior to Funding	2008	Change
Total Payroll**	\$10,474,516	\$28,217,450	169.4%
Payroll DC Residents	2,079,355	6,658,560	220.2%
% Payroll in DC	19.8%	23.6%	
Total Non-Payroll	\$12,411,284	\$49,061,285	295.3%
\$ spent in DC	8,336,154	13,129,899	37.5%
% Spent in DC	67.1%	26.8%	
Total Annual Outlays	\$22,885,800	\$77,278,735	237.7%
Total \$s in DC	10,415,509	19,788,459	90.0%
% of Total \$s in DC	45.5%	25.6%	

Source: GMU Center for Regional Analysis

*based on responses from 17 companies

**includes only full-time payroll outlays

These non-payroll outlays included overhead expenditures such as rent or payments on a mortgage, utilities, equipment rentals or purchases, business supplies, transportation, and goods and services purchased as end users or for resale. The local economic benefits of these outlays will depend on what is being purchased and whether the vendor is DC based. The survey data provided by the CAPCO companies showed non-payroll spending totaled \$12.4 million prior to receiving CAPCO investments with 67 percent of these outlays being captured by

DC-based vendors. In 2008, non-payroll outlays increased to \$49.1 million, for a gain of 295 percent, with DC-based vendors receiving \$13.1 million for a gain of 37.5 percent but only accounted for 27 percent of all non-payroll outlays by the CAPCO companies.

This slower growth of non-payroll outlays by CAPCO companies being captured by DC-based vendors reflects the changing mix of purchases by these companies as they expanded following receipt of their CAPCO investments. Prior to receiving CAPCO funds, these companies were smaller, more self-contained, and localized in the markets they served. Locationally fixed spending continued to focus on DC vendors. For example, spending on building rental represented 34.6 percent of their total non-payroll outlays in DC prior to CAPCO investments and in 2008 this spending accounted for 27.6 percent.

In contrast, non-DC based vendors increased their shares of business services and goods and services purchased for end-use or resale by the CAPCO companies. This leakage of spending to non-DC based vendors parallels the remainder of the DC economy that has become increasingly dependent on imports of goods and services (labor, too) to support its business transactions in both the private and public sectors.

The CAPCO companies are doing business with a wide range of DC-based firms. These include retail and wholesale suppliers, IT services, business services such as accounting and legal, real estate, marketing, financial services, career and recruiting services, hospitality and restaurants, and maintenance, construction and repair services. The CAPCO companies represent a major source of business for other DC-based companies beyond their customer base. While the CAPCO companies spent \$13.1 million for these locally provided goods and services in 2008, this only represented 27 percent of their total of \$49.1 million in annual non-payroll outlays. This growing import dependency points up business development opportunities that may suggest to DC-based businesses the presence of underserved local markets where local vendors could displace or intercept transactions leaking out of the City to non-local vendors.

Total Economic Impacts

The District of Columbia economy has realized secondary benefits as a result of the direct payroll and non-payroll spending by the CAPCO companies. These benefits result from the re-spending of these funds by District-based employees of the CAPCO companies within the District's economy and by the District-based vendors and their employees who benefit from CAPCO company purchases and business transactions.

While the economic, income and job multipliers associated with the District of Columbia are relatively small due to the interdependencies between the City's economy and the economies of its suburban jurisdictions (e.g., approximately 75%

of the District’s jobs are held by non-DC residents), the funds that flow to DC-based workers and vendors do generate additional jobs and income to the benefit of the City’s economy. These economic impacts are shown in Table 3.

Based on CAPCO payroll disbursements to DC-resident workers and non-payroll purchases from DC-based vendors totaling \$19.8 million in 2008, reflecting the types of goods and services purchased, this direct spending generated a total contribution of \$26.3 million to the DC economy reflecting an aggregate multiplier of 1.32845. This direct spending of payroll and non-payroll monies in the City (resident workers and local vendors) generated an additional \$2.16 million in new personal earnings to the benefit of District-based workers and supported or created an additional 100 jobs in the City beyond the 131 DC residents directly employed by the CAPCO companies. These are jobs and earnings that would not have been achieved in the absence of these CAPCO companies.

Table 3

Total Economic Impact of CAPCO-Funded Companies
In the District of Columbia, 2008
(dollars in millions)

Source	Direct Spending(1)	Total Output(2)	Personal Earnings(3)	Jobs Supported(4)
Payroll	\$6.66	\$9.04	\$0.802	40.7
Non-Payroll	\$13.13	\$17.25	\$1.362	59.5
Totals	\$19.79	\$26.29	\$2.164	100.2

Source: GMU Center for Regional Analysis. (1) CAPCO spending in DC; (2) contribution to the District’s Gross City Product; (3) new earnings generated to the benefit of DC resident workers; (4) total jobs supported or generated in addition to CAPCO direct employment.

Fiscal Benefits in 2008

The fiscal benefits accruing to the District of Columbia as a result of the presence and operations of the CAPCO companies is difficult to calculate due to the differences among the types, sizes, and operating histories of CAPCO companies. As most CAPCO companies rent their building space, they do not report paying real estate taxes even though these payments are included in their rental payments. Additionally, while all CAPCO companies have made taxable purchases within the District of Columbia, most companies have not kept complete records of these sales tax payments. Similarly, many companies either do not pay or do not keep records of payments for parking taxes, meals taxes, and a wide range of other fees and

licenses. And, as the CAPCO companies are small and early-stage businesses, some were not profitable in 2008 and reported that because they were operating at a loss they did not pay income taxes. Still, the CAPCO companies did pay workmen's compensation taxes and the 131 full-time and 188 part-time workers employed by the CAPCO companies and who resided in the District of Columbia pay personal income taxes along with the DC-based vendors and their DC resident workers.

Based on detailed fiscal data provided by some of the CAPCO companies an estimate for the annual fiscal benefit for all CAPCO companies can be constructed. After scaling these known fiscal benefits to the types and sizes of all CAPCO companies, it is estimated that in 2008 tax revenues generated by these companies in the District of Columbia totaled \$4.93 million exclusive of personal income taxes generated by CAPCO workers who resided in the City. Based on their \$6.66 million payroll outlay, their income tax revenue contribution is estimated to have totaled \$419,500 in 2008 with an additional \$136,330 in personal income tax revenue being generated due to the indirect payroll and non-payroll outlays supported by CAPCO spending in the District bringing the total personal income tax revenue in 2008 to \$555,830.

Total CAPCO Company Outlays 2005, 2006, 2007, and 2008

Annual spending for payroll and non-payroll expenditures by CAPCO companies was estimated for 2008 as well as for the respective companies in the year prior to initial CAPCO investment based on survey data they provided as reported in Table 2. This spending by these CAPCO companies in the intervening years (between initial CAPCO investment and 2008) was estimated based on the years of company operations post-CAPCO investment and size of work force as reported in the Survey. The tax revenues generated by these CAPCO companies and their DC-resident workers, DC-based vendors, and the non-CAPCO DC-resident workers supported by this spending in the District of Columbia was similarly estimated for the intervening years. The results of these analyses are presented in Table 4.

The accumulated totals of the annual CAPCO company spending, summed for all years (2005,2006,2007, and 2008), was \$203.8 million with \$63.8 million (31.3%) accruing to the benefit of DC resident workers and vendors. The total tax revenues generated by this spending to the benefit of the District of Columbia is estimated at \$14. 4 million. These cumulative contributions to the District's economy and its tax base will increase in subsequent years as the number of CAPCO companies increases each year and their businesses grow enabling them to employ additional workers, increase their payroll spending and their purchases from suppliers of a wide range of goods and services required to support their increasing business activities.

Table 4

Total CAPCO-funded Company Outlays*, 2005-2008
(in millions of current year dollars)

Year	Total Direct Outlays*	Direct Outlays in DC*	DC Revenues**
2005	\$30.6	\$12.0	\$2.143
2006	42.0	15.5	2.964
2007	53.9	16.9	3.808
2008	77.3	19.8	5.486
Totals	\$203.8	\$63.8	\$14.401

Source: GMU Center for Regional Analysis; *payroll and non-payroll expenditures; **estimated tax revenues generated by CAPCO company operations in DC inclusive of personal income taxes on DC-resident workers employed by the CAPCO companies and the workers supported by these companies' spending within the District of Columbia. Excluded from this estimate are capital gains and all revenues generated by CAPCO vendors.

Research Findings

The CAPCO Program has as its primary objectives to provide financial assistance to small and early-stage companies in the District of Columbia that otherwise have been unsuccessful in securing investment capital from traditional sources for the purpose of generating the growth of jobs and personal income to the benefit of District residents, the strengthening of the local business base and expansion of the City's fiscal resources. The CAPCO companies funded to date in the District of Columbia have received a total of \$25 million in investments under this Program between mid-2005 and 2009. Twenty-five companies have participated in this Program since its initial funding awards however three of these CAPCO companies have gone out of business since receipt of their initial CAPCO investment. This Study analyzes eighteen of these companies as four companies received their initial CAPCO investments too recently to be included. These firms were found to have generated the following economic and fiscal impacts:

- CAPCO companies had a total of 409 full-time jobs in 2008, up 96 percent from the year prior to receiving their initial CAPCO investment.
- District residents held 131 (32.0%) of CAPCO-funded full-time jobs in 2008.

- CAPCO companies reported they employed 280 part-time workers in 2008 with 188 (66.7%) of these being District residents.
- In addition to creating new jobs, CAPCO investment has helped the recipient companies preserve or save jobs during the current Recession; CAPCO companies reported that this investment has helped to save 235 jobs that would have been lost if the CAPCO investments had not been available.
- Total payroll spending by CAPCO companies in 2008 was \$28.2 million up 169 percent from the year prior to receiving initial CAPCO investments with payroll outlays totaling \$6.7 million for DC resident CAPCO employees.
- The average wages and salaries of full-time CAPCO employees were \$66,400 in 2008, up 40 percent from the year prior to initial CAPCO funding; full-time DC-resident workers of CAPCO companies had an average salary of \$49,000 in 2008 up 100 percent from the year prior to these companies receiving their initial CAPCO investments.
- CAPCO companies spent \$49.1 million for the purchases of goods and services from local and non-local vendors in support of their 2008 business operations; these non-payroll outlays were up 295 percent from the year preceding their initial CAPCO investment.
- DC-based vendors received \$13.1 million in outlays from CAPCO companies in 2008.
- In total, payroll and non-payroll spending by CAPCO companies spent \$77.3 million in 2008 with DC resident workers and vendors capturing \$19.9 million of 25.6 percent of these outlays.
- The \$19.9 million in CAPCO spending for DC- resident workers and DC-based vendors in 2008 contributed \$26.3 to the District Gross City Product, supported 100 jobs beyond those directly working for the CAPCO companies and generated personal earnings totaling \$2.2 million to the benefit of DC residents.
- Initial CAPCO investments were found to have generated additional or follow on investments from more traditional sources totaling \$186.8 million between mid-2005 and mid-2009 leveraging \$7.50 in additional capital for each \$1 in CAPCO investment.
- CAPCO companies generated an estimated \$4.93 million in direct tax revenues for the District of Columbia in 2008; additional personal income tax revenues resulting from CAPCO employees (DC residents) and estimated new

personal earnings generated as a result of CAPCO company spending in the City totaled \$555,830 in 2008.

- During the first four years of the CAPCO Program, payroll and non-payroll outlays by CAPCO companies have totaled \$203.8 million with \$63.8 million or 31.3 percent being spent in the District of Columbia.
- CAPCO company outlays, earnings by DC resident employees of CAPCO companies, and personal earnings accruing to DC resident workers as a result of CAPCO-company spending in the District have generated an estimated \$14.4 million in tax revenue for the District of Columbia over the four-year period from 2005 through 2008.

The CAPCO Program has generated new jobs, personal income, and sales to the benefit of DC residents and businesses consistent with the Program's stated objectives. These CAPCO investments have succeeded in attracting two out-of-state companies to move its headquarters into the District while one DC-based firm relocated from the District due to its successful expansion subsequent to receiving a CAPCO investment and another CAPCO-funded company was acquired in 2009 by a company headquartered outside of the District. Three CAPCO companies have gone out of business since receiving their initial CAPCO investments.

The eighteen companies included in this analysis have experienced significant growth in jobs reflecting the expansion of their business activities. In 2008, these companies reported a total of \$77.3 million in operating outlays with \$19.8 million (25.6%) accruing to District residents or District-based businesses. These economic activities are estimated to have generated \$4.93 million in new tax revenues and \$555,830 in personal income tax revenues for the District of Columbia. During the first four years of the CAPCO Program, CAPCO companies have spent a total of \$203.8 million for payroll and non-payroll expenditures with \$63.8 million or 31.3 percent of these outlays directly benefitting DC-based vendors and DC-resident employees. This spending has directly generated an estimated \$14.4 million in tax revenues to the benefit of the District of Columbia.

Appendix A

CAPCO-Funded Companies

<u>Company</u>	<u>Year of Initial CAPCO Funding</u>
Affinity Lab (3)	2009
AV Smoot (1,2)	2006
ARC Solutions (Andrew Ryan Consulting, Inc)*****	2006
Biz Connect (3)	2009
Community Financial Services***	2005
Content Now	2009
D.C. Biodiesel (1,3)	2009
D. H. Lloyd & Associates, Inc. (1,2)	2007
Finance Flows (3)	2009
Gridpoint, Inc. *	2005
Home Slice	2007
I.C.M. Productions, LLC (aka, Mumin Productions) (1)***	2005
Inside Higher Ed	2006
Jair Lynch Companies Inc. (1)	2005
Newtek Insurance Agency	2005
NuAmerica Bank (1)***	2007
Okie Dokie (dba, Love) (1)	2009
Park Place (1)	2009
Professional Management Consulting Services (1)	2008
RepEquity, Inc.****	2008
Rumba Tivoli	2006
Session Title Service (1)	2005
Truist**	2008
Virilion, Inc.	2007
Wine & Spirits Expo (1)	2008

(1) minority owned

(2) woman owned

(3) post-study period

*moved to Arlington, VA

**moved from Bethesda, MD due to CAPCO funding

***defunct or inactive

****moved from Virginia into DC due to CAPCO funding

*****acquired in 2009 and relocated out of the District

Appendix B

CAPCO Survey Questionnaire

CAPCO Economic Impact Survey, 2009

Directions: The purpose of this survey is to provide factual information that will be used to determine the impact of CAPCO funding on the District of Columbia. All data will be used in a manner that will make it impossible to determine the identity of a company by its individual responses. Payroll and expenditure information will be confidential. Only summaries of information will appear in the final report. Your information will be critical to assessing the importance of the CAPCO program and to presenting a complete report to the DC Department of Insurance, Securities and Banking. Please provide complete answers with as much detail as possible. If you are unable to provide exact information, provide the best estimate possible. Use additional pages or the backs of these pages to record other information.

I. General Information

1. Company Name _____

2. Year Established _____

3. If not initially located in DC, what year did the company move to the city? _____

4. Is your company classified as a Minority Business Enterprise by the District of Columbia? Yes _____ No _____

5. a) Company Address _____

b) Has this location changed since the company received CAPCO funds?

Yes _____ No _____

c) If yes, please explain. _____

6. Do you have other locations in DC from which you conduct your business?

Yes _____ No _____

If yes, please provide the addresses.

7. If your fiscal year does not run from January to December, describe your fiscal year.

From (month) _____ To (month) _____

*If your company's most recent completed fiscal year is not 2008, please complete the 2008 questions in this survey based on your most recently completed fiscal year.

II. Business Profile

8. Type of Business

a) Construction _____ f) Manufacturing _____

b) Transportation _____ g) Communications _____

c) Wholesale Trade _____ h) Retail Trade _____

d) Finance _____ i) Insurance _____

e) Real Estate _____

j) Service (describe) _____

k) Other (describe) _____

9. How many workers do you employ?

Number of employees in 2008

a) Full time

b) Part time

Number of employees residing in DC in 2008

c) Full time

d) Part time

Number of employees in the year prior to CAPCO funding

e) Full time

f) Part time

Number of employees residing in DC in the year prior to CAPCO funding

g) Full time

h) Part time

10. If receipt of CAPCO funding did not result in adding new jobs, did it permit your company to retain jobs that otherwise would have been terminated?

Yes _____

No _____

If yes, how many jobs were saved? _____

11. What was the annual payroll for full and part time employees?

a) Total payroll in 2008

\$ _____

b) Payroll dispersed to DC resident employees in 2008

\$ _____

c) Total payroll in year prior to CAPCO funding

\$ _____

d) Total payroll dispersed to DC resident employees prior to CAPCO funding
\$ _____

12. What were the company's non-payroll outlays?

a) Total non-payroll outlays in the year 2008 \$ _____

b) Purchases from DC vendors* in the year 2008 \$ _____

c) Total non-payroll outlays in the year prior to CAPCO funding \$ _____

d) Purchases from DC vendors in the year prior to CAPCO funding \$ _____

*suppliers and other businesses from which you purchase goods and services

13. Provide the names of major DC-based vendors (name up to five): _____

14. List the total amount spent on goods or services purchased from DC vendors* in 2008.

a) Building Rent \$ _____

b) Equipment Rental \$ _____

c) Equipment Purchase \$ _____

d) Repairs of equipment \$ _____

e) Utilities \$ _____

f) Supplies \$ _____

g) Other (describe) _____

*by location; that is, properties and business located in the District of Columbia

15. List the total amount spent on goods or services purchased from DC vendors* in the year prior to CAPCO funding.

a) Building Rent* \$ _____

b) Equipment Rental \$ _____

c) Equipment Purchase \$ _____

- d) Repairs of equipment \$ _____
- e) Utilities \$ _____
- f) Suppliers \$ _____
- g) Other (describe) _____

16. How much did your company pay in 2008 DC taxes?

- a) Real Estate \$ _____
- b) Motor Vehicle \$ _____
- c) Sales \$ _____
- d) Business Income Tax \$ _____
- e) Licenses and Fees \$ _____
- f) Workmen's Comp \$ _____
- g) Business Franchise Tax \$ _____
- h) Other (list types and amounts) _____
- _____
- _____
- _____

17. How much did your company pay in DC taxes in the year prior to receiving CAPCO funding?

- a) Real Estate \$ _____
- b) Motor Vehicle \$ _____
- c) Sales \$ _____
- d) Business Income Tax \$ _____
- e) Licenses and Fees \$ _____
- f) Workmen's Comp \$ _____
- g) Business Franchise Tax \$ _____
- h) Other (list types and amounts) _____
- _____
- _____
- _____

18. If available, please attach an accountant prepared expense report for your latest completed budget year to include total spending amounts as well as District of Columbia spending amounts.

III. Impact of CAPCO funds

19. What kind of CAPCO funding and how much did your company receive?

- a) Loan \$ _____
- b) Equity \$ _____
- c) Other \$ _____

20. How were CAPCO funds used?

- a) Start-up financing \$ _____
- b) Expansion of existing business \$ _____
- c) Modernization of facilities / equipment \$ _____
- d) Purchase of equipment \$ _____
- e) Relocation to new DC site \$ _____
- f) Other (describe) _____

21. Was your company able to leverage additional capital after receiving CAPCO funding? Yes _____ No _____

- a) How much by source? _____

b) How were the additional funds used?

- Purchase of equipment \$ _____
- Expansion of existing business \$ _____
- Facilities / equipment modernization \$ _____
- Expand services or goods \$ _____
- Other (describe) _____

24. Please provide a contact name and telephone number for follow-up questions if needed.
