

Contribution of the Commercial Banking and Savings Institutions Sectors to the New Jersey Economy

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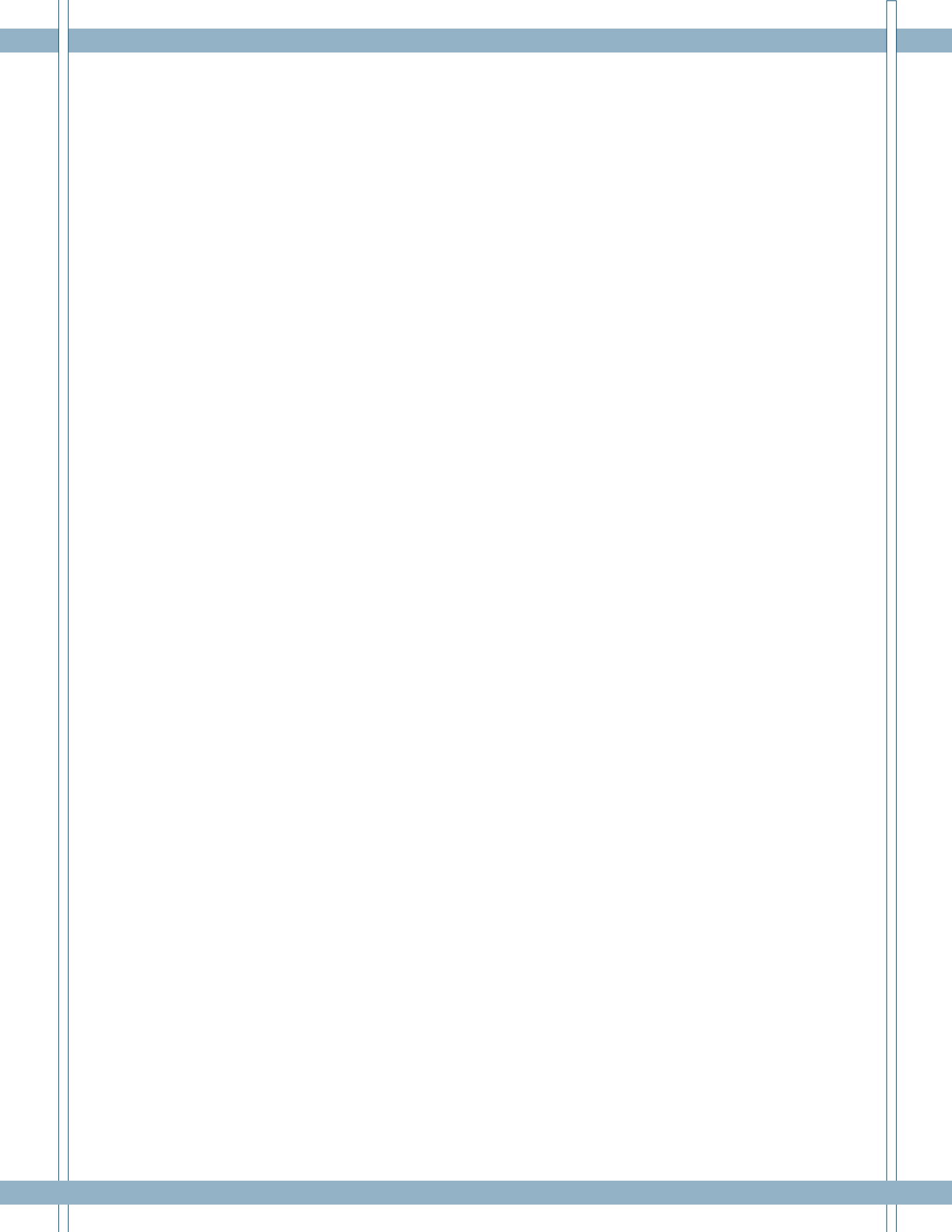
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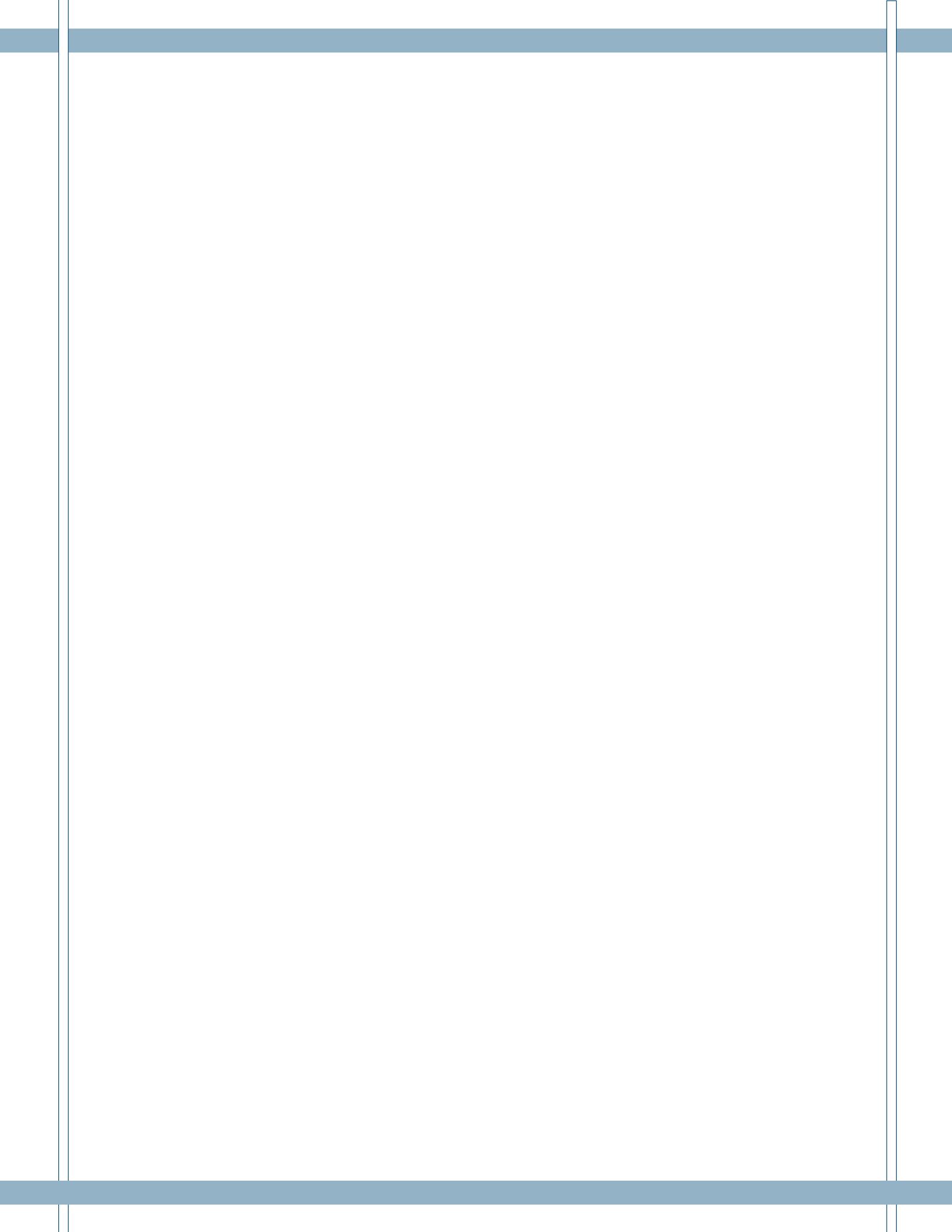


Executive Summary

This study analyzes the contribution of commercial banks and savings institutions – referred to here as the “banking industry” – to the New Jersey economy. The report provides a definition of the industry, an estimate of its annual economic impacts in New Jersey, and an overview of recent industry employment trends in New Jersey and the nation.

Among the study’s findings, commercial banks and savings institutions:

- Directly employ nearly 45,000 people in New Jersey, and indirectly support nearly 79,000 additional jobs through their expenditures;
- Generate over \$9 billion in compensation annually in association with the 123,000 supported jobs;
- Generate an estimated \$16.7 billion in GDP in New Jersey annually through their activities and the economic ripple effects of their operations;
- Generate approximately \$530 million in state taxes and \$934 million in local taxes annually in New Jersey.
- Each \$1 million in total expenditures made by the industry is estimated to generate:
 - ◆ 8.5 direct and indirect jobs
 - ◆ \$621,684 in compensation
 - ◆ \$36,496 in state tax revenues
 - ◆ \$64,390 in local tax revenues
- Employment growth in New Jersey’s commercial banks has been strong relative to the nation in recent years, and employment in the state’s savings institutions did not undergo the same post-recession decline experienced at the national level.



Introduction

This study estimates the contribution to the New Jersey economy of the operations of companies in the commercial banking and savings institutions sectors, collectively referred to herein as the “banking industry.” As of 2014, there were an estimated 3,081 establishments¹ of commercial banks and savings institutions in New Jersey, employing nearly 45,000 people. It should be noted that the economic impacts estimated in this report represent the contribution of the banking industry’s *business operations*, but do not capture the economic effects of its lending. That is, apart from the economic activity enabled by bank lending, the industry’s ongoing annual expenditures and the employment associated with its operations constitute a significant contribution to the state’s economy.

This report estimates the size of this contribution. It begins with a definition of the industry, followed by an assessment of its size in New Jersey. There is also a description of the methodology and the input/output model used in the analysis. Estimates of the direct and indirect economic and fiscal impacts of the industry’s operations in New Jersey are then provided, followed by a comparison of industry data for New Jersey to that of the nation.

¹ “An establishment is an economic unit, such as a factory, mine, store, or office that produces goods or services. It generally is at a single location and is engaged predominantly in one type of economic activity. Where a single location encompasses two or more distinct activities, these are treated as separate establishments, if separate payroll records are available, and the various activities are classified under different industry codes.” (U.S. Bureau of Labor Statistics)

Industry Definition

For purposes of this study, the banking industry is comprised of two sectors identified in the North American Industry Classification System (NAICS): Commercial Banking (NAICS 522110) and Savings Institutions (NAICS 522120). These sectors are defined as follows:

- Commercial Banking (NAICS 522110): “This industry comprises establishments primarily engaged in accepting demand and other deposits and making commercial, industrial, and consumer loans. Commercial banks and branches of foreign banks are included in this industry.”
- Savings Institutions (NAICS 522120): “This industry comprises establishments primarily engaged in accepting time deposits, making mortgage and real estate loans, and investing in high-grade securities. Savings and loan associations and savings banks are included in this industry.”²

This definition is intended to reflect the membership composition of the New Jersey Bankers Association. It does not include securities brokerages, investment banks and related financial institutions, nondepository institutions such as credit card companies, or other depository institutions such as credit unions and private banks.

² These definitions from the 2012 U.S. NAICS Manual are provided in the online NAICS database maintained by the U.S. Census Bureau at <http://www.census.gov/eos/www/naics/index.html>. The definitions and more detail on each industry can be found on the respective pages for NAICS 522110 (<http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=522110&search=2012>) and NAICS 522120 (<http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=522120&search=2012>).

Industry Data and Methodology

This section presents the economic data from the U.S. Bureau of Labor Statistics (U.S. BLS) used in this analysis. It also describes the R/ECON™ Input-Output Model of the New Jersey economy used to estimate the contribution of the banking industry to the state economy.

Industry Magnitude

In order to assess the contribution of the banking industry to the state economy, it is necessary to understand the magnitude of the industry's annual operating expenditures, the types of expenditures made, and the distribution of these expenditures across other industries. For this analysis, data on the size of the industry in New Jersey was drawn from the U.S. BLS Quarterly Census of Employment and Wages, as well as the U.S. Bureau of Economic Analysis (U.S. BEA) Benchmark Input-Output Tables. The number of jobs and establishments and the total wages for each of the sectors included in the banking industry are shown in table 1.

The key data for each industry are the level of employment, and most importantly for modeling purposes, the total wages paid. Economic input-output tables (see next section) produced by the U.S. BEA and adapted for New Jersey provide information on the portion of each industry's total economic output that is comprised by wages. Based on the wage estimates from the U.S. BLS, it is possible to estimate total output for the banking industry, and thus to estimate the industry's overall contribution to the state economy.

Based on the industry definition used for this analysis, in 2014 the banking industry in New Jersey directly employed nearly 45,000 people at over 3,000 establishments, with a total payroll of over \$3.6 billion. The average annual pay for these sectors was \$81,218 – 34% higher than the average annual pay for all jobs in the state.

NAICS Code	NAICS Industry	Employment	Establishments	Total Wages (\$000)
522110	Commercial Banking	36,492	2,360	3,157,729
522120	Savings Institutions	8,159	721	468,714
	Banking Industry	44,651	3,081	3,626,443

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Input-Output Analysis and the R/ECON™ Input-Output Model

The annual expenditures of the banking industry in New Jersey constitute a significant recurring economic contribution to the New Jersey economy. Economic input-output modeling estimates the overall economic impact of contributions such as these based on the interrelationships of sales and purchases among sectors of the economy.

The R/ECON™ Input-Output model developed and maintained at Rutgers University's Edward J. Bloustein School of Planning and Public Policy is used to estimate the economic impacts of various types of expenditures or investments, in terms of employment, state gross domestic product, compensation (i.e., income) and tax revenues. The model consists of 383 individual sectors of the New Jersey economy and measures the effect of expenditures in one industry on economic activity in all other industries. Thus, the distribution of expenditures made on payroll, materials, equipment, real estate, and other inputs necessary for the ongoing operations of commercial banks and savings institutions are captured in the inter-industry relationships embodied in the model. These have both **direct economic effects** as those expenditures become incomes and revenues for workers and businesses, and they also have subsequent **indirect effects** as those workers and businesses, in turn, spend those dollars on other goods and services. These expenditures on consumer goods, business investment expenditures, and other items, in turn, become income for other workers and businesses. This income gets further spent, and so on, in a multiplier process that has a cumulative impact on the overall economy of the state.

In addition, embodied in the model are estimates – known as regional purchase coefficients, or RPCs – of the share of local (i.e., in-state) demand for labor and material that can be met by in-state supply. That is, based on historical inter-industry relationships, the model can estimate the portion of an industry's expenditures that are made on labor, material and services produced (i.e., sourced) in *New Jersey*. Similarly, these inter-industry relationships also capture the portion of *indirect* expenditures (i.e., spending of the business revenues and personal incomes generated by the initial industry expenditures) that remain in the state. Any initial expenditures and indirect impacts that spill out of the state are referred to as economic "leakage." Estimates of "leakage" associated with expenditures can be further refined based on specific information regarding the expected sourcing of labor, materials or other services.

Industry operating expenditures are comprised of annual outlays that generate recurring economic impacts each year. That is, the economic ripple effects – or "multiplier" effects – that result from the expenditures of the banking industry recur annually, as long as the industry continues to operate at existing levels. If the industry and its expenditures grow or contract, the indirect impacts – in terms of employment, income, output (GDP), and tax revenues – will increase or decrease accordingly.

Results of the Analysis

Aggregate Impacts

Table 2 provides the aggregate economic contribution of the banking industry in New Jersey, based on the 2014 wage and employment data provided in Table 1.

	Direct	Indirect	Total
Employment (jobs)	44,651	78,812	123,463
Gross Domestic Product (millions)	\$8,959	\$7,726	\$16,685
Compensation (millions)	\$3,626	\$5,395	\$9,022
State Tax Revenues (millions)			\$529.6
Local Tax Revenues (millions)			\$934.4

The estimated contribution of the banking industry to the New Jersey economy includes:

- **Employment**

123,463 jobs are estimated to be supported annually by the activities of the banking industry in New Jersey. These include both direct jobs in the industry and indirect jobs supported by the industry's activities and expenditures.

123,463 jobs
supported annually
in New Jersey

Employment is generated across a wide range of sectors, as the initial direct expenditures supporting jobs and business revenues in the banking industry "ripple" through the broader economy, generating indirect employment in other industries such as retail, services, transportation, etc.³ The large number of indirect jobs (more than twice as many as direct jobs) results from the high-paying direct jobs and high level of other (non-labor) expenditures in the banking industry. Average compensation for the direct jobs within the industry is estimated at \$81,218, compared to \$68,458 for the indirect jobs. Table 3 provides the estimated sector distribution (job categories are from the U.S. BLS) of the 123,463 direct and indirect jobs supported in New Jersey by the activity of commercial banks and savings institutions.

³ The broadly defined services sector includes professional and business services (e.g., engineering, architecture, accounting, legal services, etc.), education and health services, leisure and hospitality services, the information sector, and other service industries.

Table 3
Distribution of Employment Impacts by Sector

Sector	Employment
Financial Activities*	52,383
Services**	50,787
Retail Trade	10,321
Manufacturing	4,648
Transportation, Warehousing & Public Utilities	3,809
Wholesale Trade	727
Construction	440
Natural Resources & Mining	348
Total	123,463

*Includes direct employment in the banking industry.

**The broadly defined services sector includes professional and business services (e.g., engineering, architecture, accounting, legal services, etc.), education and health services, leisure and hospitality services, the information sector, and other service industries.

- **Compensation**

Labor compensation represents the total wages, salaries and wage supplements (i.e., employer contributions to government and private pension funds) paid for all direct *and* indirect jobs generated in New Jersey as a result of the expenditures made *in New Jersey* by commercial banks and savings institutions. Total annual compensation for all jobs supported directly and indirectly by the industry is estimated at \$9 billion.

\$9 billion in
compensation

- **State Gross Domestic Product**

Total gross domestic product (GDP), a measure of the value of the new economic output generated in the state as a result of the industry's expenditures, is estimated at \$16.7 billion.

\$16.7 billion in GDP

- **State Tax Revenues**

Estimated annual state tax revenues generated by the industry comprise the income taxes associated with the salaries paid to the workers in the direct and indirect jobs supported by the industry, as well as the sales taxes associated with the economic output generated by those expenditures. In total, the industry's operations are estimated to generate approximately \$530 million in annual state tax revenues.

\$530 million in
state tax revenues

- **Local Tax Revenues**

The estimated local tax revenues for the state represent property tax revenues that accrue, over time, as a result of improvements to existing or construction of new property afforded by the personal and business incomes generated directly and indirectly by the operations of commercial banks and savings institutions. These local tax revenues are estimated at \$934 million. Unlike the other impacts, the increase in property tax revenues occurs over a considerably longer period (see Appendix A for additional detail).

\$934 million in
local tax revenues

Per-Million-Dollar Impacts

Table 4 presents the estimated annual economic contribution of the banking industry per \$1 million of industry outlays. Total industry expenditures are estimated to be approximately \$14.5 billion annually.

Table 4 Per-Million Dollar Annual Economic Contribution of the Banking Industry in New Jersey	
Indicator	Impact
Employment (jobs)	8.5
Gross Domestic Product	\$1,149,760
Compensation	\$621,684
State Tax Revenues	\$36,496
Local Tax Revenues	\$64,390

Each \$1 million in *total* expenditures made by the industry is estimated to generate *in New Jersey*:

- 8.5 (direct and indirect) jobs;
- \$1,149,760 in GDP;
- \$621,684 in compensation;
- \$36,496 in state tax revenues; and
- \$64,390 in local tax revenues.

Overview of the Banking Industry in New Jersey and the United States

New Jersey's 3.1% share of nationwide banking industry employment is slightly greater than its share of total national employment and population (2.8%). The higher share is driven primarily by the high concentration of employment in savings institutions (5.2% of the national total), as shown in Table 5.

NAICS Code	NAICS Industry	New Jersey	United States	NJ Share (%)
522110	Commercial Banking	36,492	1,289,343	2.8
522120	Savings Institutions	8,159	157,295	5.2
	Banking Industry	44,651	1,446,638	3.1
	Total Employment	3,841,854	136,613,609	2.8
	Population	8,938,844	318,907,401	2.8

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

From 2001 to 2014, banking industry employment in New Jersey grew by 11.5%, faster than statewide employment in all sectors (-0.9%) and faster than the industry nationwide (-2.9%) (Table 6). This difference in industry growth between New Jersey and the U.S. was driven by growth in the commercial banking sector in New Jersey, which saw growth of 15.7% over the period, and by a sharp decline of 33.5% in employment at savings institutions nationwide following the recession and housing market decline of 2007-2009. Figures 1 and 2 illustrate the cumulative percentage change in employment for the two sectors in New Jersey and the United States. While New Jersey has lost some of the commercial banking sector employment gained during the period prior to the recession, its growth over the period was significantly stronger than that of the U.S., and its employment in the savings institutions sector has not undergone a post-recession decline like that of the nation.

NAICS Code	NAICS Industry	New Jersey		United States	
		Absolute	Percent	Absolute	Percent
522110	Commercial Banking	4,941	15.7	35,579	2.8
522120	Savings Institutions	-324	-3.8	-79,251	-33.5
	Banking Industry	4,617	11.5	-43,672	-2.9
	Total Employment	-34,340	-0.9	6,977,809	5.4

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

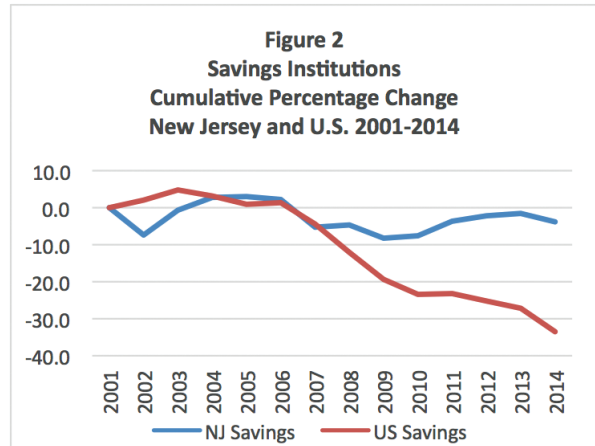
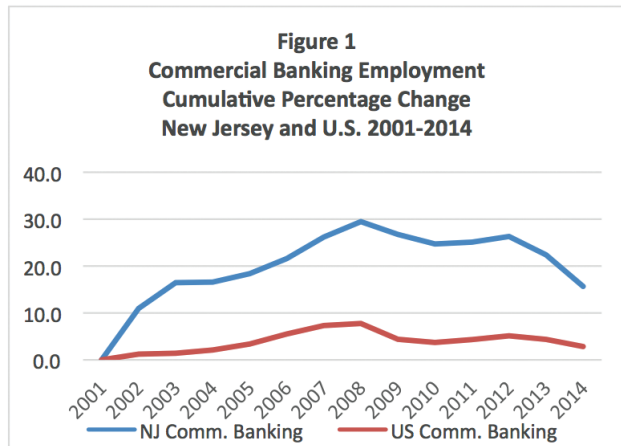


Table 7 provides the average annual pay for commercial banking and savings institutions and for all payroll employment in the U.S. and New Jersey in 2014. Notably, average pay was significantly higher (22%) in the commercial banking sector in New Jersey than in the U.S., while it was slightly lower in New Jersey for savings institutions. As a result, the banking industry in New Jersey had average pay 1.16 times that of the industry nationwide, a ratio comparable to that of average pay for all payroll employment, which was 1.18 times higher in New Jersey than in the U.S.

NAICS Code	NAICS Industry	New Jersey	United States	Ratio: NJ/US
522110	Commercial Banking	86,532	71,085	1.22
522120	Savings Institutions	57,449	60,351	0.95
	Banking Industry	81,218	69,918	1.16
	All Employment	60,597	51,364	1.18

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Banking Beyond the Numbers: Community Engagement

To breathe life into the quantitative components of this economic impact assessment, this section presents short vignettes about four different commercial bank and savings institutions, which highlight the sorts of contributions to local communities and the state that cannot be captured in dollar values.

While some corporate social responsibility dynamics can, indeed, be quantified in dollars such as charitable contributions and the financial sponsorship of events, others can't; these include direct volunteerism at the community and state levels, in-person participation at local community events, direct in-person participation with pro-environmental activities, and one-on-one direct engagement with community members. Most, if not all, of these activities enhance and enrich the lives of not only the community members, but employees of the banking and savings sectors as well.

So, to round out the fiscal findings *The Contribution of the Commercial Banking and Savings Institutions Sector to the New Jersey Economy*, this section explores the many ways in which commercial banks and savings institutions do well by doing good and, in turn, help communities and the state above and beyond direct and indirect economic impacts, and above and beyond the positive impacts of personal, residential, and commercial lending. We are grateful to Columbia Bank, Ocean City Home Bank, Provident Bank, and Bank of America for their participation in this component of the study.

Columbia Bank

<https://www.columbiabankonline.com/>

Columbia Bank's approach toward improving the quality of life within the communities it serves is summed up in its Mission/Value Statement, "As a caring and responsive community bank, our goal is to do our part to create safer, more productive communities." To be sure, just watching President and CEO Thomas Kemly beam with pride as he describes *Team Columbia*, underscores that the spirit of Columbia Bank is truly animated by that credo. In every New Jersey town where the bank has a brick-and-mortar presence, Team Columbia—bank employees who don blue t-shirts to participate directly in community improvement—breathe life into Kemly's claim of passion about the intersection of "community banking and volunteerism." As he recently explained, "Team Columbia was out in the state 63 times during 2015; however, our current goal, which is embedded in our business plan is '100 TC,' meaning that for 2016, we're looking to have Team Columbia out in the community, working shoulder to shoulder with and for community members 100 times."

Team Columbia painted classrooms at a school for handicapped students, collected hundreds of pounds of non-perishable goods for community food banks, and helped finish construction on low-income Habitat-for-Humanity projects statewide. Its largest single-day event is "Tooling Around Town," which takes place in several communities; the Woodbridge event found 60 bank employees, ranging from the executive team, to tellers, to maintenance staff, to manager, to clerical staff, working to help senior citizens fix up their houses, by painting, sealing drafty windows, fixing leaky pipes and just generally doing what needs to be done to help improve these community members' quality of life.

More than that, though, *Team Columbia* “teams up” with a wide range of organizations—from the Passaic Boys and Girls Clubs to the Calico Cat Food Pantry—to sponsor social capital building events, including town picnics, fireworks displays, community concerts, and similar quality-of-life events. It’s true, of course, that Columbia Bank provides grants, for example, to fully fund the construction of a barrier-free playground for children with disabilities in Fair Lawn and the NJ Blind Citizens Association’s Eye Center. However, *Team Columbia* provides the type of authentic person-to-person engagement that clearly evinces how deeply the bank is aware of, and in tune with, its community locations.

This spirit of direct participation is pervasive throughout all ranks of the Columbia Bank employee hierarchy. Kemly, proudly wearing the blue t-shirt, worked side-by-side with other Team Columbia members in Paterson to finish the framing working on an affordable housing project, while other bank executives are encouraged, as part of fulfilling their relationship with the Bank, to serve on boards of local hospitals, schools, charities, and a broad range of other institutions all of which are in synch with Columbia Bank’s driving core ideal, “to create safer, more productive communities.” Thomas Kemly, however, understands that this type of direct community involvement is not unique to his bank; his attitude is universal: “If you have the chance to talk to every CEO,” he recently said, “I think you’ll find the same sentiment. It’s one of the great things about our local and state banking community.”

Ocean City Home Bank

<https://www.ochome.com/>

President and CEO Steven E. Brady recently explained that the central tenet of Ocean City Home Bank’s approach to volunteerism is to empower the bank’s employees by involving them in the decision-making about which community organizations the bank should support. Brady said this permits the bank’s community engagement to be “flexible, depending on need,” while enfranchising all levels of bank employees in the spirit of volunteerism.

This unique approach is animated through two of the bank’s formal volunteer programs. First, under the “It Pays to Give” program staff members are rewarded with personal time and a press release with a donation to their charity for volunteering at a charitable, non-profit cause in the communities in which they live and work. Beyond that, a year-end drawing is held for volunteers in the program with the winner, and the charity of their choice, both being awarded a cash prize funded by the bank. The “Casual Friday” program facilitates matching by the bank, of “Friday donations” by employees, mostly in the nominal range; with the giving of a donation, the employee suggests non-profit organizations for receipt of the matched funds. Charities recently benefitting from this program include Faces 4 Autism, the Atlantic City Rescue Mission, Volunteers in Medicine, as well as CASA (Court Appointed Special Advocates), which assists community volunteers who speak up, in court, for abused and neglected children. And, as the name suggests, employees also dress more comfortably than traditional banking attire conventionally expects.

Beyond contribution-driven community support, Ocean City Home Bank engages in direct community volunteerism. To help foster social capital among community members, bank board member and basketball legend Chris Ford personally participated in the Smithsonian Sports Exhibit, which brought the “Hometown Teams” exhibit to Atlantic City to help residents focus on teamwork,

leadership, team pride, and the importance of pride of place. That same sense of fostering social capital is animated through Ocean City Home Bank's sponsorship of, and presence at, Ocean City's "First Night." Working in partnership with the Ocean City Chamber of Commerce, the bank has supported this alcohol-free, family friendly community event for almost a quarter of a century; in addition to providing the core financial support, the bank's leadership is directly involved, with Steve Brady sitting on the Board of Directors, and Vice President Jean Jacobson serving on the Planning Committee. Beyond the event itself, funds raised support local charities including scholarships for Ocean City High school students, the After Prom Committee, which safeguards youngsters following their senior prom, the Hero Foundation that promotes the designated drivers' program, and Waves of Caring, which provides toys and clothes for needy children during the holidays.

It is not, then, just that Ocean City Home Bank sponsors First Night in the purely financial sense; rather, the sponsorship extends to personal involvement as well as facilitating the cascading effect of good works generating more good works, which serves to not only help the recipients of the funds, but also to empower the community to help itself. This same spirit of *paying it forward* is found in the way in which the bank adapted "Operation First Response" to its home community. Steve Brady is rightfully proud, on behalf of the bank, to have "imported this remarkable organization into our local community," by raising money for the charity with an annual "Walk for the Wounded on the Ocean City Music Pier." This, to be sure, is the finest marriage of social capital development, charitable works, and direct financial and non-financial support of a community project.

Provident Bank

<https://www.providentnj.com>

Corporate Donations Administrator, Christine Cartwright, does more than simply manage Provident Bank's corporate donations. She's one of the 18 bank employees who serve as a team member of *Provident4Women*, an initiative designed by women working at the bank to serve the unique needs of women in the community. Launched in 2014, the initiative combines an online presence providing practical insights on topics that matter most to women such as family and home, career and business, life goals and investments in addition to offering offline workshops and networking events to the community. Recent workshops range in topics from developing effective social media and public relations plans to grow small businesses to financial empowerment workshops for millennials on how to create a budget, how to get out of debt and how to save for the future.

However, we shouldn't let this large initiative overshadow other more direct ways in which Provident Bank engages with its host communities. In fact, as part of her job, Cartwright crafts the way Provident Bank empowers and facilitates employees to expand their volunteerism into the community. She views that part of her role as facilitating the ways in which the bank can provide and support existing opportunities to help, and with employee input, expand into other areas of community need. Indeed, when asked to sum up Provident Bank's spirit of community engagement, Chris Martin (Chairman, President, and Chief Executive Officer) explained the basic principle is a question, with both practical and ethical implications, "What else can we do?"

That question, of course, should be understood in the context of Provident Bank's already strong core set of direct in-community volunteering opportunities. Notable, although quieter, examples include

providing a continuing welcome and supportive presence at the NJ Veterans Home at Menlo Park, quietly helping a veteran have his due benefits reinstated following a paperwork error, reading to pre-school children on Read Across America day or partnering with Rebuilding Together Jersey City to help rehabilitate homes for families in need.

And while Provident Bank partners with many other organizations throughout New Jersey and eastern Pennsylvania to further its commitment to the community, Chris Martin is probably most proud of the bank's participation with the Rebuilding Together Jersey City initiative. "For 23 years, we've been helping low-income homeowners improve the safety and health of their homes and help vitalize their communities," he said. Throughout the year, Provident Bank provides the support for roughly 10 volunteers to engage in the direct rebuilding effort; this is a win-win-win: the rebuilding effort wins, the people who will live in that community benefit, and the employee's experience will have been enriched.

And, each year, as Christine Cartwright and Chris Martin sit down to think through, on behalf of Provident Bank, opportunities for the upcoming year, that meeting is driven by the question, "o.k., what else can we do, now?"

Bank of America

<https://www.bankofamerica.com>

Bank of America's Corporate Social Responsibility model includes the concept "we're better when we're connected"—it begins, through the Bank of America Charitable Foundation, with financial support for an appropriate charitable purpose; at the earliest and best opportunity, however, the Bank connects that financial support with direct philanthropic volunteerism. To be sure, despite its size, Bank of America well-understands how important it is to be fully present in the community and, in turn, be in service to a wide range of New Jersey state and local opportunities. And, most importantly, they have an approach which, in addition to empowering the stakeholders, also achieves direct community engagement.

Bob Doherty, Bank of America's New Jersey State President, explained that in addition to providing a significant incentive for employees to engage in direct volunteerism, "by connecting employees we are empowering them in several of the key decisions about how and whom to help." Etta Denk, Senior Vice President and New Jersey Market Manager, added that "in addition to the two hours of paid time off each employee receives per week to volunteer, we award volunteer grants, up to \$500 per employee for each year, made in the employee's name, to an eligible charitable financial organization of the employee's choice."

As Denk explained, "one of the key aspects of our getting connected approach that is so important is the degree to which our employees control the distribution of resources at the local level." To that end, in 2014, the Bank of America Charitable Foundation matched almost \$1,262,000 in contributions, by employees, to local charitable organizations of their choice. To give it some context, Doherty underscored that "in the philosophy and practice of Bank of America, it is just as important that we consider that during the same 2014 year, over 64,000 volunteer hours were logged by employees who volunteered in their local communities."

So, in addition to employee empowerment through choice of philanthropic opportunity, the Bank itself has several chosen charitable and philanthropic initiatives to advance as part of its ongoing effort to maintain an institution-wide culture of community engagement. Bank of America has several programs in place that enable them to better connect with the communities they serve. One is the where the Bank not only sponsors Clean Ocean Action's all day "Beach Sweeps," but also facilitates about 100 volunteers per sweep. These day-long events take place early spring and late fall in about 30 to 50 different beach sites along New Jersey's shore communities. Another example is how the Bank administers and covers all the administrative costs of the Employee Giving Campaign ensuring all contributions go directly to the individuals in need.

Doherty and Denk agree, however, that of all the programs their favorite is likely to be the Bank's Student Leaders® program, because it helps the community in such a direct, personal way. That program recognizes 5 high school juniors and seniors in 44 markets, who have excelled in community service, by awarding eight-week paid summer internships. This unique opportunity, which in New Jersey is offered in partnership with local Boys and Girls Clubs, also includes participation in a Leadership Summit held in Washington, D.C., where the more than 200 students selected from around the country receive additional training to strengthen their leadership skills. The Student Leaders Program, Doherty says, "helps develop our future leaders and may be our most important investment in local communities."

Appendix A

The estimated local tax revenues for the state estimated in this analysis represent property tax revenues that accrue, over time, as a result of improvements to existing or construction of new property. This activity is afforded by the personal and business incomes generated directly and indirectly by the expenditures of the banking industry.

Local tax revenues result from the expenditures generated from the income for workers and revenues for business.⁴ The personal incomes and business revenues are, in part, used to pay property taxes and to improve properties (both residential and commercial). Thus, households and businesses that benefit from the industry's activities acquire and/or improve residential and commercial properties or alternatively are able to pay rents that include associated property taxes.

Historical New Jersey fiscal and economic data are used to measure the relationship between business revenues and the amount of commercial property tax revenues collected, and between household incomes and the amount of residential property tax revenues collected.⁵ Given both household income and business revenues associated with the operations of the banking industry, the R/ECON™ Input-Output Model invokes the known statistical relation of local property tax revenues to both household income and business revenues in order to estimate the addition to local tax revenues attributable to the expenditures.

⁴ For businesses, the revenue increase is measured in terms of value-added, and it is the change in value added in the business sector that is the basis for the estimated change in property tax revenues.

⁵ For the entire state, approximately 76% of total local property tax revenues are attributable to residential property; with approximately 21% derived primarily from commercial and industrial property.

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