



SOUTHERN UNIVERSITY NEW ORLEANS



**The Economic Impact of SUNO:
*Giving Taxpayers More for Their Money***

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Message from the Chancellor



Greetings,

Southern University at New Orleans is pleased to publish this economic impact study that was compiled by our College of Business & Public Administration economic faculty members and administrators. This historic institution has served the local, state and national community for more than 50 years. During this time, SUNO has contributed greatly to the economy of both New Orleans and the state.

This study highlights SUNO's economic impact for the 2008-09 fiscal year in several critical areas, including spending and contributions of our graduates. The overall impact of SUNO's spending is \$111,461,082 on a state budget of just over \$16 million. In other words, the State of Louisiana's return on its investment at SUNO is approximately seven-fold. **For every dollar invested, the State enjoys a return of approximately \$7.**

The figures above are critical to sustaining a viable city and state for the foreseeable future. Having adopted a new focus on accountability within the past few years, SUNO anticipates that its economic impact will grow appreciably as an increasing number of students graduate from the institution.

Since 2006, we have made tremendous strides with rebuilding SUNO in spite of many obstacles. Enrollment has nearly returned to 80% of our pre-Katrina level of 3,647, the initial phase of our first-ever residential housing facility will be completed in January 2010, and our College of Education recently garnered recertification from NCATE. SUNO appreciates your support in seeing that our momentum continues.

Sincerely,

A handwritten signature in black ink, appearing to read "Victor Ukpolo". The signature is stylized and fluid.

Victor Ukpolo, Ph.D.

About the Authors

SOUTHERN UNIVERSITY *at* NEW ORLEANS COLLEGE OF BUSINESS & PUBLIC ADMINISTRATION

Dr. Frank Martin is a Professor of Economics and Chair of the Department of Business Entrepreneurship. He authored two impact studies of the Bayou Classic and a study of the economic impact of a proposed regional food distribution center in the New Orleans Business and Industrial District (NOBID). Additionally, he co-authored with Jerome Lomba, Chief Economist for the City of New Orleans, a paper entitled “Jefferson’s America & Napoleon’s France: Analysis of the Economic Impact”, which assessed the economic impact of the NOMA Exhibition *Jefferson’s America & Napoleon’s France* commemorating the bicentennial of the signing of the Louisiana Purchase in 1803.

Dr. Igwe Udeh is a Professor of Business and the Dean of the College Business & Public Administration. His background is in management, economics, and administration. He has published extensively in the area of management. While at Grambling State University (GSU), he participated in a study of the economic impact of GSU.

Dr. Amaresh Das is an Associate Professor of Economics in the College Business & Public Administration. He has published extensively in the areas of economics and finance. One of his specializations is statistics and econometrics. In 2008, Dr. Das received the award for best paper presented at the South Western Teaching Conference at Texas Southern University.

All three authors are faculty members in the College of Business & Public Administration at Southern University at New Orleans.

**The authors gratefully acknowledge the guidance and assistance of Chancellor Victor Ukpolo, Professor of Economics, in the implementation and writing of this report.*

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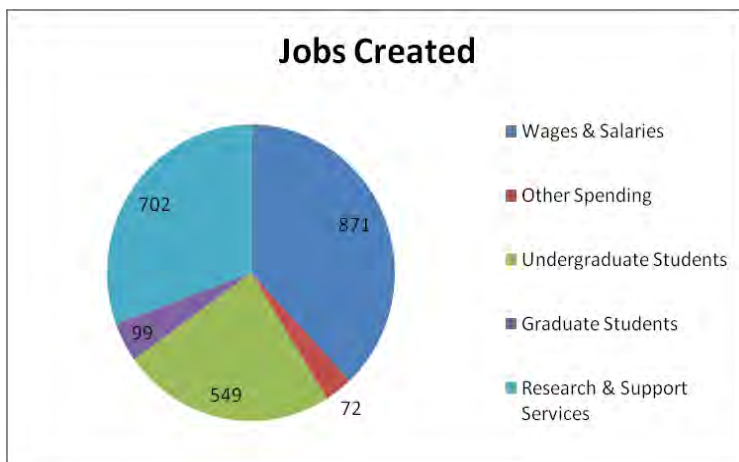
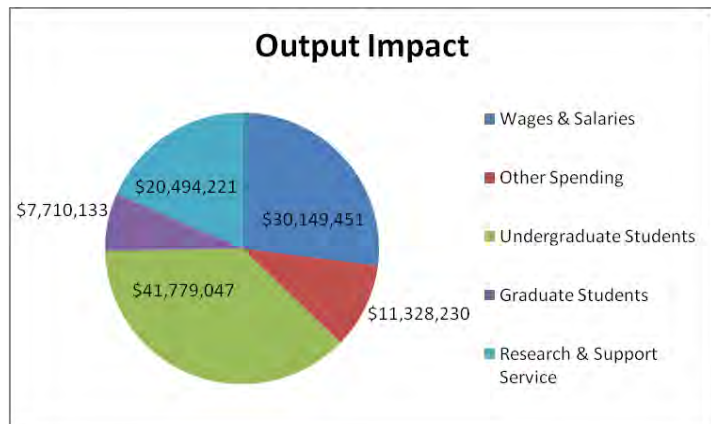
Impact Study Synopsis

APPROXIMATELY \$7 RETURN FOR EVERY \$1 LOUISIANA INVESTS IN SUNO

The total output impact of SUNO's spending for 2008-09 was \$111,461,082, based on a budget of \$16,319,723. Therefore, each dollar the State allocated to SUNO is multiplied approximately seven (6.83) times, meaning that taxpayers get a return of \$7 for every \$1 the State allocates to SUNO.

Jobs Created

Initial spending of \$71,017,329 led to 2,293 jobs being created externally by SUNO. Eight-hundred seventy-one (871) jobs are linked to spending for wages and salaries, 702 jobs are related to research and support services production, spending by undergraduates accounted for 549 jobs, and another 171 jobs were created via a variety of factors.



Construction

Several current construction projects account for \$52,500,000 in initial capital spending whose total spending impact will generate \$111,536,250. These projects have created 2,473 jobs with a labor income impact value of \$35,757,750.

Student body post-Katrina

SUNO is the fastest-growing four-year institution of higher learning in Louisiana. Since reopening post-

Katrina in spring 2006, enrollment has grown exponentially to 3,104 students, approximately 80% of our pre-Katrina student population of 3,647. The graph on page 11 demonstrates the benefits of students who decide to pursue higher educational opportunities. Since 1998, SUNO graduates have earned \$323,100,800.

Economic Impact Study

OVERVIEW OF SOUTHERN UNIVERSITY AT NEW ORLEANS

Having been established by legislative action of the Louisiana State Legislature on September 4, 1956, Southern University at New Orleans (SUNO) began operating on September 21, 1959 as a branch of Southern University and A & M College. In 1975, by action of the state legislature, SUNO became an autonomous unit as one of three campuses of the newly-created Southern University System. It is *a propos* that Southern University at New Orleans grew up along with the adjacent black middle-class community of Pontchartrain Park since SUNO has played such a large role in creating a black middle-class in the New Orleans area. The stability of the adjacent Pontchartrain Park neighborhood, until Hurricane Katrina, has been matched by SUNO's stability in consistently turning out graduates in the professional fields of business, education, criminal justice, and social work and in the liberal arts areas (arts, humanities, natural sciences, and social sciences), even after Katrina.

Of special note is SUNO's School of Social Work. Having been accredited by the Council on Social Work Education, the School of Social Work offers both a Bachelor of Social Work and a Master of Social Work. The Social Work programs exemplify diversity in terms of ethnicity and gender. Over the years, the school has supplied the New Orleans area with social work professionals in all sectors of the New Orleans economy. With social ills having been aggravated by the ravishes of Katrina and the deep current recession, the role of the School of Social Work in the New Orleans area has become more critical than ever before. Needless to say, the school continues to meet the challenge. However, the ability to meet that challenge is threatened by proposed cuts in funding to higher education.

The College of Education's accreditation was recently reaffirmed by the National Council for the Accreditation of Teacher Education (NCATE). The role of the College of Education in supplying qualified teachers to the area elementary and secondary schools continues unabated. Additionally the college operates a highly demanded and well attended post-baccalaureate program for practicing teachers who want to become certified by taking the required courses and sitting for the NCATE exams.

Since the University's inception, SUNO's College of Business & Public Administration (CBA) has supplied professionals and management trainees to businesses and government in the state and the metropolitan areas. Many graduates have been upgraded in their current positions as a result of receiving their degrees. The college is seeking accreditation by AACSB International; it is in candidacy for accreditation and expects a review in about 2 years, with the plan for accreditation already approved by the accrediting agency.

Many of the accountants in the Revenue Department of the City of New Orleans and the Sewerage & Water Board of New Orleans were trained by SUNO's CBA. Many graduates have become entrepreneurs. Jerome Boykin of Houma, Louisiana is a notable example. Jerome, a 2005 Business Administration graduate, responded to the challenges and opportunities created in the aftermath of Katrina by establishing a parking lot cleaning business that has been featured in *Entrepreneur* and *Black Enterprise* magazines. The CBA's Small Business Development and Management Institute and Small Business Development offer training and seminars for hundreds of small business people each semester.

In this year of SUNO's Jubilee (50th year), the University's contribution to the social, economic, and political structure of New Orleans continues unabated, in spite of the setbacks brought on by Hurricanes Katrina and Rita. Currently enrollment at the University stands at about 3,000, approximately 80% of its pre-Katrina enrollment.

Economic Impact Study

UNIVERSITY SPENDING

The recurring impact of Southern University at New Orleans (SUNO) on the local economy will be estimated by determining the flow of dollars that are spent in the local economy during the academic year. This “direct” economic impact is multiplied by an estimated multiplier that depends upon the percentage of these dollars that stay in the local community to support additional spending. This study is patterned after similar economic impact studies to provide a conservative estimate of the economic impact of SUNO on the local economy during the 2008-2009 academic year using a ‘multiplier analysis’.

Important variables affecting the economy include the following:

- University operations
- Health insurance payments
- Construction and capital outlay
- Faculty and staff expenditure
- Research and support service
- Student spending

The impact of SUNO’s spending on the state’s economy can be captured by examining its (1) expenditures for wages & salaries, (2) other spending (expenditures) on items other than wages and salaries, (3) undergraduate student spending, (4) graduate student spending, (5) research and support service, and (6) construction and capital outlay. Wage and salaries consist of payments to faculty and staff personnel employed by SUNO. Other Spending consists of all other expenditures (non-wage and non-salary expenditures). Undergraduate student spending is estimated as the amount the Office of Financial Aid annual budgets for a full-time student (\$15,528). The same number is used for graduate students. Research and support services consist of grant awards to the University and support services such as Title III.

An output impact, value-added impact, labor income impact, and employment impact are estimated for each category of spending. Output impact measures gross receipts or sales, the “most inclusive, largest measures of economic impact” (Humphrey, p. 8). Though the output impact is the most reported measure of economic impact, it does not measure the contribution to the region’s gross domestic product (gdp). Contribution to regional gdp is measured by the value-added impact. Wages, salaries, and proprietors’ income are reflected in the labor income impact. Finally, the employment impact measures the number of jobs created outside of the University.

The economic impact of spending by SUNO is estimated using a template developed by Jeffrey Humphreys in a 2006 study for the U. S. Department of Labor. Multipliers, contained in the study, were applied to the above four categories initial spending to arrive at the Output Impact, the Value-added Impact, the Labor Income Impact and the Employment Impact of SUNO’s operations. The impact of research and support service is estimated using Bureau of Economic Analysis (BEA) RIMSII Multipliers. The results are displayed in Table 1 (page 7).

The \$13,102,760 that the University expends on wages and salaries gives rise to an output impact of \$30,149,451, value-added of \$20,518,922, labor income of \$17,308,746, and 871 jobs outside of the University. Other Spending of \$8,385,070 gave rise to output, value-added, labor income, and em-

Economic Impact Study

ployment of \$11,328,230, \$4,301,541, \$2,658,067, and 72 jobs, respectively. Undergraduate student spending of \$34,301,352 gave rise to output, value-added, labor income, and employment of \$41,779,047, \$25,794,617, \$14,200,760, and 549 jobs, respectively. Graduate Student Spending of \$6,187,908 gave rise to output, value-added, labor income, and employment impacts of \$7,710,133, \$4,659,495, \$2,636,049, and 72 jobs respectively. And finally initial spending for Research and Support Services of \$9,040,239 gave rise to output, value-added, labor income, and employment impacts of \$20,494,221, \$12,300,149, \$7,402,147, and 702, respectively. Figure 1 above shows the relative contribution of each category of spending.

The total output impact of SUNO spending was **\$111,461,082**. The budget of Southern University at New Orleans for the 2008-2009 fiscal year was \$22,528,577. Of this total, \$16,319,723 came from State of Louisiana funds. **Therefore, each dollar of State funds allocated to SUNO is multiplied approximately seven (6.83) times.** This impact is comparable to other studies showing that states get back at least 6 dollars for each dollar allocated to a university (Ukpolo, 1998; University of Louisiana System).

EMPLOYMENT IMPACT

As revealed in Table 1, initial spending of \$71,017,329 led to 2,293 jobs being created outside of SUNO. Figure 2 (page 9) depicts the distribution of the jobs across categories of spending. As can be seen in the pie chart, 871 jobs are attributed to spending for wages and salaries. The next largest contributor (702), shown by the light blue area of the pie (page 9), is research and support service. Undergraduate student spending created 549 jobs. The graduate students and other spending categories accounted for 171 jobs.

Table 1. Economic Impact of Expenditures by SUNO for the 2008-2009 Fiscal Year

<i>Category</i>	<i>Initial Spending</i>	<i>Output Impact</i>	<i>Value-added Impact</i>	<i>Labor Income Impact</i>	<i>Employment Impact</i>
Wages & Salaries	\$13,102,760	\$30,149,451	\$20,518,922	\$17,308,746	871
Other Spending	\$8, 385,070	\$11,328,230	\$4,301,541	\$2,658,067	72
Undergraduate Students	\$34,301,352	\$41,779,047	\$25,794,617	14,200,760	549
Graduate Students	\$6,187,908	\$7,710,133	\$4,659,495	\$2,636,049	99
Research & Support Service	\$9,040,239	\$20,494,221	\$12,300,149	\$7,402,147	702
Total	\$71,017,329.00	\$111,461,082.00	\$67,574,724.00	\$44,205,769.00	2,293

Economic Impact Study

Impact of Capital Spending

Currently SUNO is undertaking three capital projects involving new construction (University Housing, Information Technology Building, and College of Business and Public Administration Building). Construction of the housing complex is underway. Ground will be broken for the other two by the end of 2009. Approximately \$52,500,000 is being spent on these projects. The BEA 2005 RIMSII Multipliers for the New Orleans-Metairie-Kenner Metropolitan area are used to estimate the economic impact of this construction. The results are shown in the table below.

Table 2. Impact of Capital Spending at SUNO

<u>Initial</u>	<u>Output</u>	<u>Value-added</u>	<u>Labor Income</u>	<u>Employment</u>
<u>Spending</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>	<u>Impact</u>
\$52,500,000	\$111,536,250	\$61,792,500	\$35,757,750	2,473

As can be seen above, the total impact of this initial spending of \$52,500,000 is \$111,536,250 with value-added of \$61,792,500 and producing a labor income of \$35,757,759 from the 2,473 jobs created. It is important to note that funds for these capital projects came from the Federal Government; that is to say, all of this represents an injection of funds from the outside into the State of Louisiana.

The bar chart in Figure 2 (page 11) graphically demonstrates the impact of current construction spending at SUNO.

ALUMNI CONTRIBUTIONS

The relationship between education and earnings is repeatedly demonstrated by data compiled by the Bureau of Labor Statistics. Specifically a high school graduate earns, on the average, significantly more than the person who has not finished high school. A college graduate earns significantly more than someone who has not finished college. The same thing holds for the master's and doctorate degrees. It is significant that earning the degree confers much more than completing an equivalent number of years of education. It seems that completing the degree is indicative an individual's possession valuable habits which constitute an important element of human capital and supplies valuable information to a prospective employer.

Another way of viewing this matter is that acquiring degrees beyond high school increases the human capital and productivity of the graduate which is reflected in higher earnings. Most of this redounds to the benefit of the individual. However, government benefits from the higher taxes paid by individuals as their incomes increase. Furthermore the community benefits from the stable neighborhoods and lower crime that accompany the rise in income and status, which we cannot quantify.

The increase in earnings attributable to an associate degree, a bachelor's degree, or master's degree is estimated using BLS data showing the average increase in salary from acquiring these additional degrees. The table below shows that on average, obtaining an associate's degree increases average annual earnings by \$9,449 above the average earnings of a high school graduate. Obtaining a bachelor's degree increases average earnings \$12,086 above the average for high school graduates, and obtaining the master's degree leads to \$19,837 increase in earnings above the average for those with only a high school diploma.

Economic Impact Study

Figure 1. Output Impact of SUNO Spending

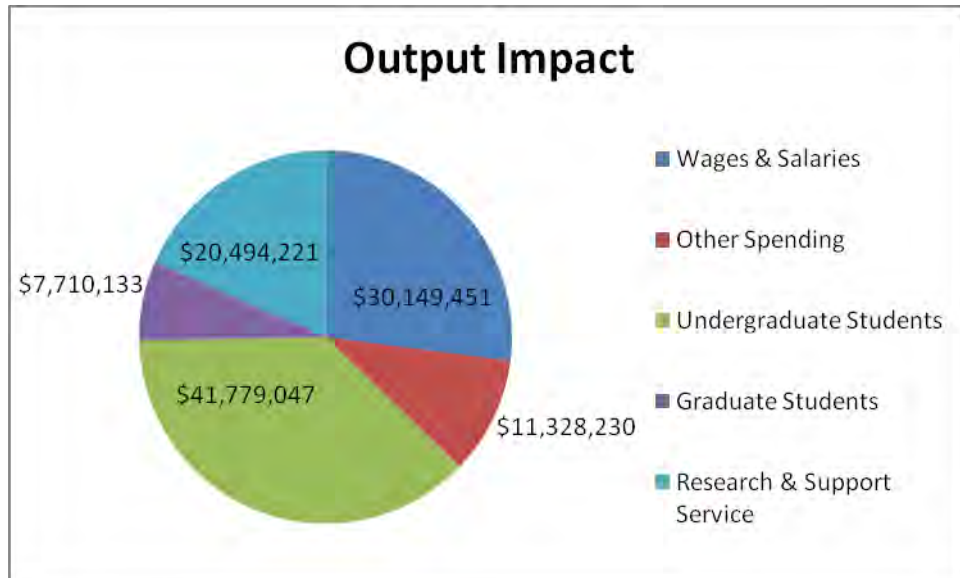
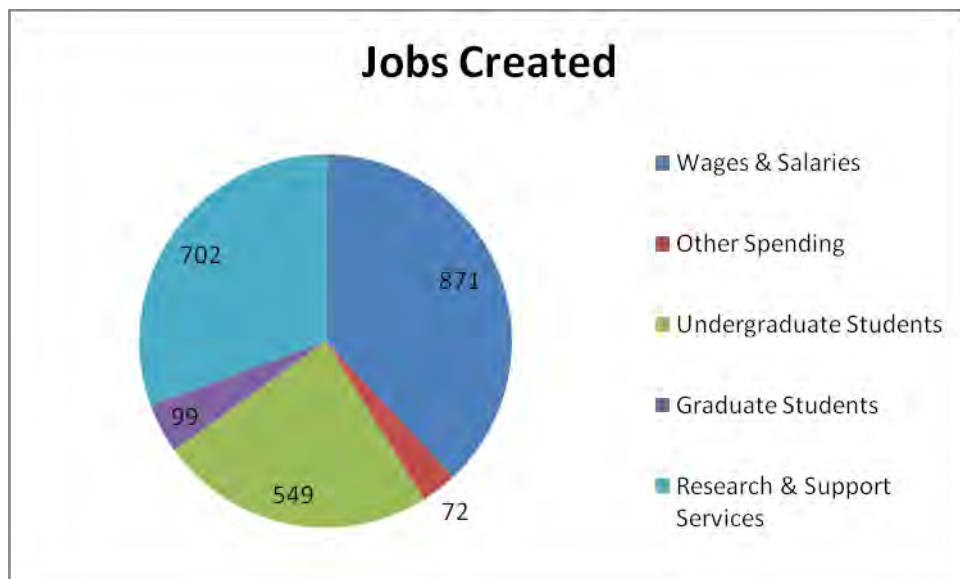
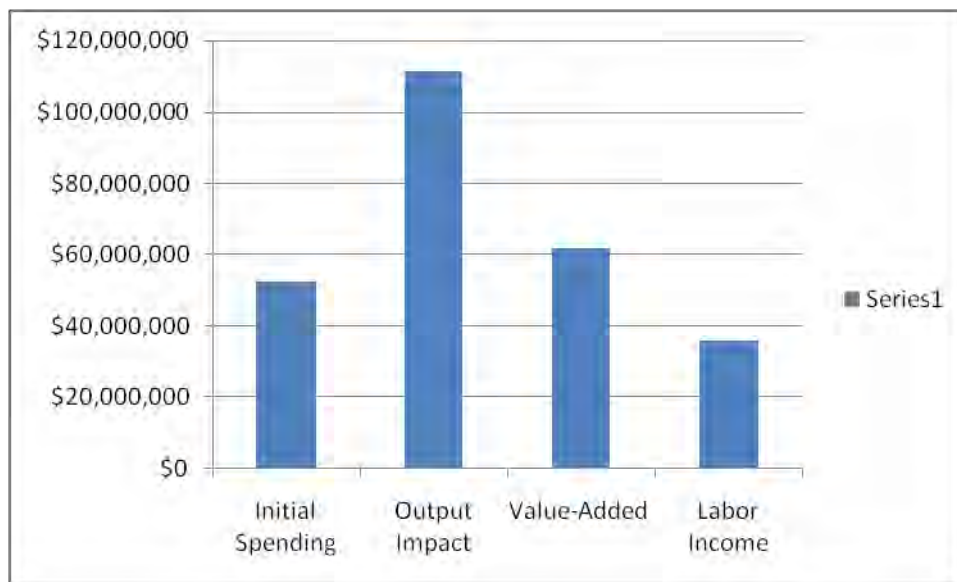


Figure 2. Employment Impact of SUNO Spending



Economic Impact Study

Figure 2. Impact of Construction Spending at SUNO



Economic Impact Study

Table 3. Relationship between Education and Earnings

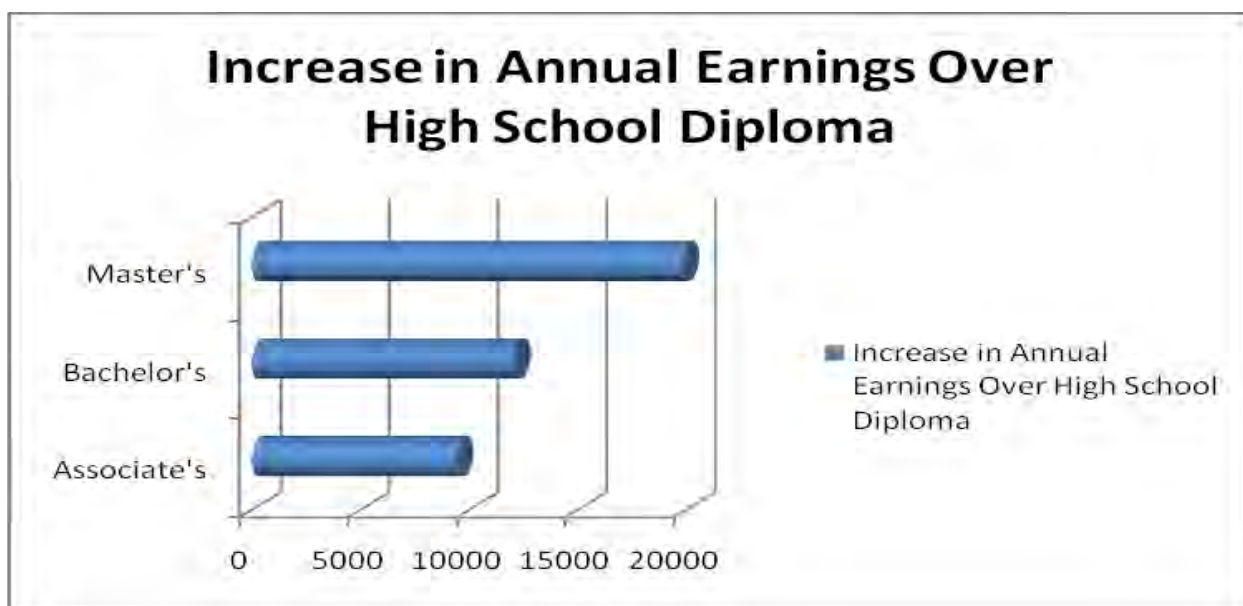
Degree	Increase in Annual Earnings Over High School Diploma
Associate's Degree	\$9,449
Bachelor's Degree	\$12,086
Master's Degree	\$19,837

Source: U.S. Census Bureau, Current Population Survey (2006), accessed at <http://www.census.gov/population/www/socdemo/educ-attn.html>.

The data from Table 3 are depicted in Figure 3 below which clearly demonstrates the return to additional education beyond high school. There is, indeed, a positive return to additional education up to the master's degree.

Applying the above values to the number of associate's, bachelor's, and master's degrees awarded by SUNO since 1998, over the past 10 years, the estimated value of the cumulative increase in incomes attributable to graduates with associate's, bachelor's, and master's degrees is **\$323,100,800**.

Figure 3. Relationship between Education and Earnings



Economic Impact Study

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U.S. Census Bureau, Current Population Survey (2006), accessed at <http://www.census.gov/population/www/socdemo/educ-attn.html>

U.S. Department of Commerce, Bureau of Economic Analysis (2007). *Regional Input-Output Modeling System (RIMS II)*, Table 2.5



Expanding SUNO



Rendering of the SUNO Residential Complex



Rendering of the SUNO Information Technology Center

SUNO

SOUTHERN UNIVERSITY *at* NEW ORLEANS