The Economic Impact of Thomas More Prep - Marian on the Local Economy

Fort Hays State University
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**Introduction**

The purpose of this study is to estimate the magnitude of the economic impact that Thomas More Preparatory - Marion (TMP-M) school has upon the Hays and Ellis County local economy during fiscal year 2006-07. The model used in this study is based on linear cash-flow concepts for which data can be readily obtained, and qualitative issues can be minimized. The model does not provide discussion on enhancements to the quality of life provided by school activities. There are many important long-term impacts that are not considered in this study, including (but are not limited to) the following: service to community, cultural impacts, city and county recognition among outside sources, outside institution interaction, and premium education of citizenry.

**Expenditure Model**

The expenditure model considers the impact of spending by an economic unit upon a local or regional economy. All spending related to the economic unit is appropriate to consider and involves expenditures of monies that would not have occurred in the local or regional economy had the economic unit not existed. Appropriate expenditure categories for TMP-M might include school operations expenditures, faculty/staff expenditures, student expenditures, visitor expenditures and any expenditures of ancillary services.

The direct impact expenditures generate a multiplier effect within the local economy. Because of the local sales resulting from the direct expenditures, local businesses will purchase local goods and services from other businesses to support these
sales. For every dollar of direct expenditures, an additional $0.20 worth of local purchases will ultimately occur in the Hays – Ellis County local economy. This is referred to as indirect impact. An “induced” impact arises from the revenue received by local businesses due to the direct expenditures. Some of these receipts are paid to employees as some form of compensation, such as: wages, salaries, commissions or profits. This compensation will fuel a second round of spending, part of which will be local expenditures. The process could again repeat itself, setting off a third round of expenditures and so on. For every dollar of direct expenditures, an additional $0.60 worth of local business activity is ultimately generated. This means that the total multiplier effect is 1.8. This is a conservative multiplier adopted for use in many university impact studies, although a number of studies have used much larger multipliers.

TMP-M had spending data for two major spending components, operations expenditures and faculty/staff spending. Other spending data for student spending, visitor spending, or any ancillary spending was not available, but it is believed that these expenditures are not of great magnitude. This means that the resulting impact will be somewhat underestimated, or more conservative, as a result of these exclusions.

**Operations Expenditures**

The total dollars of the operational budget spent locally by TMP-M was estimated to be $874,077 for fiscal year 06-07.
Faculty and Staff Expenditures

TMP-M employs both full-time and part-time faculty and staff personnel. The numbers of each are shown in the following table.

<table>
<thead>
<tr>
<th></th>
<th>Part-Time</th>
<th>Full-Time</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty</td>
<td>5</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Staff</td>
<td>22</td>
<td>17</td>
<td>39</td>
</tr>
</tbody>
</table>

The expenditure estimate includes total spending on local purchases of goods and services by faculty and staff. Payroll records were used to calculate employee net pay. Net pay to faculty and staff is defined as the gross pay minus all deductions that result in the paycheck received by the employee. Payroll deductions include required withholdings such as federal and state income tax, social security, and Medicare taxes. Total net salaries that are pay check totals with all deductions and fringes removed is $996,230.

The proportion of faculty and staff disposable income spent locally is unknown. This is an empirical question that would properly be based on a faculty/staff survey. The percentage of income spent locally associated with comparable studies may not be useful as guidelines because of the uniqueness of the Hays market area. Hays is the center of a trade area with little competition for goods and services in close proximity. Salina, which is 90 miles away, is the closest larger trade center. The gravity model concerning expenditure patterns predicts that a higher percentage of disposable income is spent locally when competitive businesses are farther away. A recent Fort Hays State University impact study used a 90 percent local expenditure figure. This percentage will also be used in this study due to lack of any basis for a different figure. Applying this percentage gives a local expenditure for faculty and staff of $896,607.
Full-time employees who were covered by health insurance were also responsible for purchases of local health services and medications covered by insurance. Health insurance premiums are deducted from gross pay for the employee and are not included in the net pay figures. Insurance payments to local providers of health care goods and services are associated with the employee and should be included as a part of employee expenditures. Estimates of these figures based on the average annual expenditures from a Fort Hays State University study was $4,324. If this figure was applied to the faculty and staff covered by health insurance at TMP-M, the total annual reimbursement, or payments, for covered health services would be $172,960.

TMP-M indicated that 40 faculty and staff were covered by health insurance and that the total premiums paid per month was $17,342.23. On an annual basis, this would give a total of $208,106.76. From an actuarial perspective, we know that, on average, premiums for a covered group must equal claims plus an amount to cover the provider’s business expenses and provide a profit. This would suggest that the $172,960 annual insurance reimbursements, based on FHSU data, may be a reasonable approximation, since total premiums exceed estimated claim reimbursements by $35,167 ($208,106.76 - $172,960).

**Total TMP-M Direct Economic Impact**

The total direct impact of spending related to TMP-M upon the local economy is the sum of the spending components previously discussed which is equal to $1,943,644.
**Indirect and Induced Spending Impacts**

The direct impact produces an indirect impact as local business establishments purchase materials and supplies from other local enterprises to support their sales. The indirect impact is estimated to be 20 percent of the direct impact, or $388,729. The income received by local residents from the initial dollars spent is partially spent within the local economy, thus creating additional sales. This induced impact is estimated to be 60 percent of the direct impact, or $1,166,186.

Adding the direct, indirect and induced impacts gives the total impact on the local community in terms of economic activity (sales) created. The total economic impact of TMP-M on the local economy is estimated to be $3,498,559.