

The Economic Impact of Thomas University On Southwest Georgia



Kevin B. Stokes
EconImpact
Louisville, KY
502-645-7767
EconImpact@Bellsouth.net
www.Econimpactstudies.com
April 19, 2007

TABLE OF CONTENTS

Executive Summary	3
Methods Used in the Study	3
Cash Flow Model	6
Thomas University Impact Numbers	7
Introduction	8
Source of the Data	8
Thomas University Impact	9
Direct Spending - University	10
Direct Spending - Faculty and Staff	10
Direct Spending - Students	10
Direct Spending - Visitors	10
Multiplier Effect	10
Job Impact	11
Alumni Impact	12
Social Benefit Impact	12
Conclusion	12

THOMAS UNIVERSITY ECONOMIC IMPACT

EXECUTIVE SUMMARY

This report examines the economic impact of Thomas University on Southwest Georgia. The purpose of this report is to detail the ways in which Thomas University contributes both directly and indirectly to the local economy.

Overview

In the 2005-2006 fiscal year, Thomas University contributed \$18.6 million to the area. The University, its employees, students, and its visitors contributed \$5.8 million which was earned from students originally from outside the region. Alumni contributed \$7.2 million in increased earnings and \$5.5 million in social benefits due to positive lifestyle choices.

The benefits of the University can be seen in other ways:

Impact on Jobs

The University provided employment opportunities for the area: it offered 93 full-time jobs and 31 new jobs in Southwest Georgia.

Conclusion

Thomas University provides numerous advantages for Southwest Georgia from offering a place of education for its residents whose lifestyles and earning capacities are measurably enhanced by its programs, to producing economic opportunities for local government and businesses. Due to the out-of-area students and visitors the University attracts, the University brings in money from outside the area. The region reports revenues from the University's presence. These economic advantages, coupled with the additional cultural benefits the University offers, attest to the significant contribution of Thomas University to Southwest Georgia.

METHODS USED IN THE STUDY

Southwest Georgia Economy -- This portion of the report was based on the classic college impact method developed by Caffrey and Isaacs, Estimating the Impact of College or University on the Local Economy. American Council on Education: Washington D.C., 1971.

Thomas University Area – Brooks, Colquitt, Grady, Mitchell, Thomas Counties

Thomas University Community -- This group includes the University, its employees, students, alumni, visitors, and the local firms who do business with them.

Economic Impact -- The economic impact of Thomas University on the Southwest Georgia economy is divided into two parts:

- Direct Impact -- The initial impact on the local economy due to spending by Thomas University, its employees, students, visitors, and alumni.
- Secondary Impact -- Changes in other industries as they respond to the new demands made by Thomas University community spending.

Total Impact is the sum of the Direct and Secondary Impacts.

Multiplier -- The ratio of Total Impact to Direct Impact. (Multiplier = Total Impact/Direct Impact). A multiplier of 1.40 means that for every \$1.00 of direct spending, an additional \$0.40 is generated in secondary spending.

Multipliers tend to be higher for industries located in large urban areas, because more of the spending by the industry stays within the area. Smaller, rural areas and individual urban counties generally have lower multipliers, because industries must use firms outside the area for supplies and services.

University Exports and Imports -- The Economic Impact of an organization on a region is derived from 1) exporting - attracting new money to the region by selling products to other areas and 2) import substitution - preventing local individuals from buying products elsewhere.. The Economic Impact of a university comes from 1) exporting - its ability to attract students from other parts of the country and 2) import substitution - retaining local students who would otherwise have attended university elsewhere.

It is important to note that only the 35% of Thomas University revenue derived from these two economic effects was counted toward the TU Economic Impact on Southwest Georgia. Exporting or revenue from out-of-region students accounts for 23% of revenue. Import substitution or retaining Southwest Georgia students in Thomasville is responsible for 12% of revenue.

Student Spending -- This was based on expected costs for student living expenses.

Visitor Spending -- Based on interviews with Thomas University and community authorities.

Alumni Earnings -- The principal economic value of a college degree lies in the difference between the average earnings of a college graduate versus those of a high school graduate. This was calculated in the following manner: the number of alumni by gender, graduation year, and degree were multiplied by the average annual earnings for each category. The average annual income for high school graduates for each category was then subtracted. This process showed the additional earnings gained from a college education. Alumni employed by Thomas University were not counted. Had they been included this figure would be even higher.

Thomas University Alumni Impact -- Fifty percent of the earnings of Thomas University alumni in Southwest Georgia were included in this report. This assigned some of the responsibility for alumni earnings to the University and left some credit to other

factors; that these individuals could have received their degree from any of a number of other institutions and this could have contributed to their earning potential.

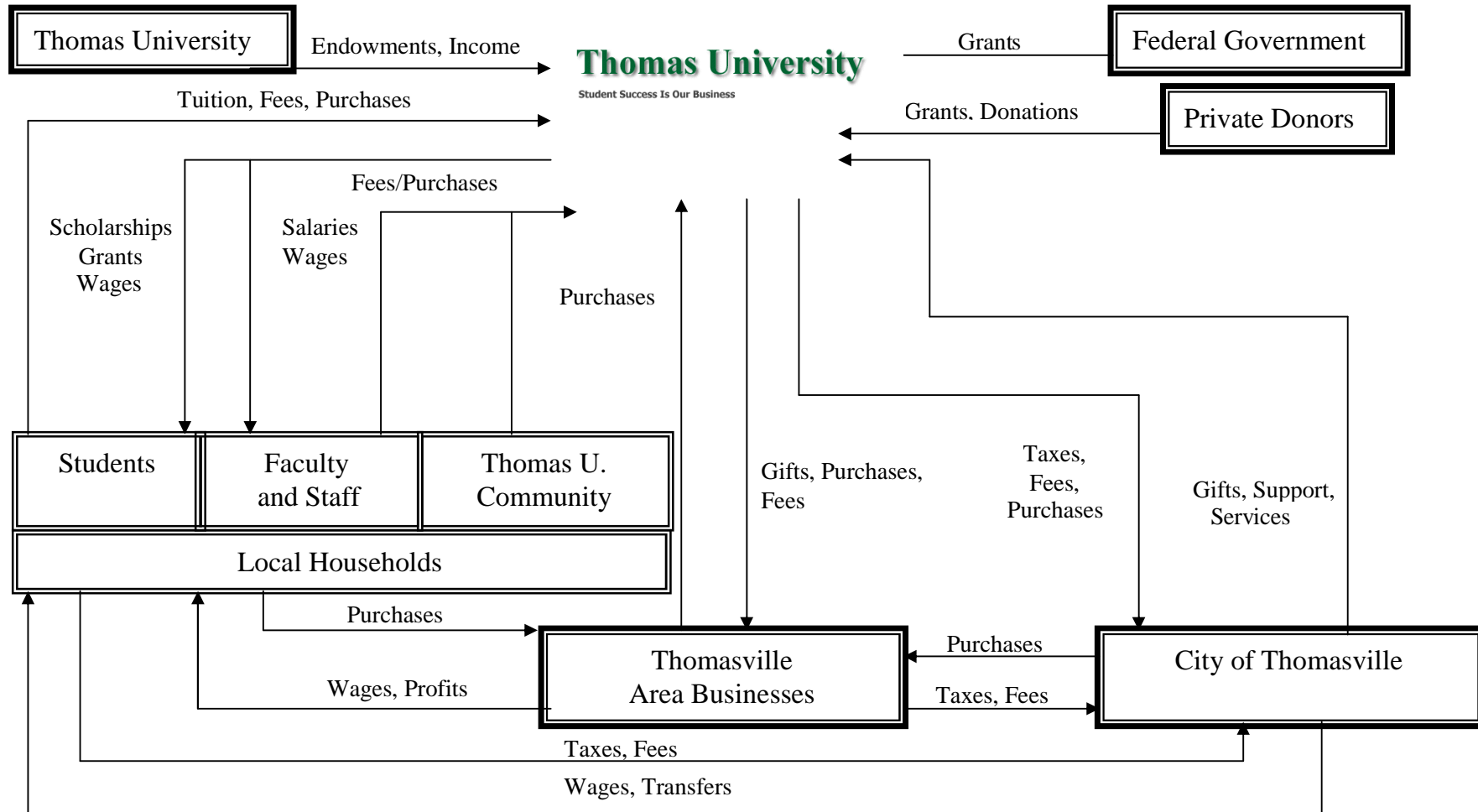
Social Benefit Impacts -- These are the benefits of reduced alcoholism, incarceration, unemployment, and welfare because of the choices made by Thomas University alumni who live in the area. Lower social costs reduce expenditures of businesses and governments. Fifty percent of the Social Benefit Impact of Thomas University alumni in Southwest Georgia was included in this report. This assigned some of the responsibility for social benefits to the University and left some credit to other factors such as family background and personal characteristics.

New Jobs -- Included are jobs at Thomas University and new jobs at other firms and organizations generated by the purchases of the University, its employees, students and visitors.

CASH FLOW MODEL

The flow chart on page 6 represents Thomas University's place in the flow of income and expenditures in the Southwest Georgia economy. The circular flow of income, where households earn income and spend, businesses receive revenues from household spending and pay their operating costs, and local governments receive taxes and fees which are transformed into municipal services, is illustrated by the chart. The income-spending / income-re-spending cycle constitutes the multiplier process to which reference is made later in this report.

Economic Impact of Thomas University on Local Economy Cash Flow Model



THOMAS UNIVERSITY REGIONAL IMPACT

DIRECT SPENDING BY THOMAS UNIVERSITY IN SOUTHWEST GEORGIA	
University Spending	\$2,151,254
Faculty & Staff Spending	\$1,253,307
Student Spending	\$589,000
Visitor Spending	\$178,150
	\$4,171,711
SECONDARY SPENDING IN SOUTHWEST GEORGIA	
Secondary Spending by Thomas University	\$860,502
Secondary Spending by Faculty, Students and Visitors	\$808,183
	\$1,668,685
Total Thomas University Direct and Secondary Impact	\$5,840,396
EARNINGS IMPACT IN SOUTHWEST GEORGIA	
Current Increased Earnings of Alumni	\$7,237,919
Total Thomas University Earnings Impact	\$7,237,919
SOCIAL BENEFIT IMPACT IN SOUTHWEST GEORGIA	
Reduced Absenteeism	\$533,521
Reduced Alcoholism	\$240,773
Reduced Crime Victim Cost	\$230,473
Reduced Incarceration	\$703,913
Reduced Smoking	\$369,874
Reduced Unemployment	\$2,050,352
Reduced Welfare Expenditures	\$1,401,026
Total Thomas University Social Benefit Impact	\$5,529,930
Total Southwest Georgia Economic Impact	\$18,608,246

INTRODUCTION

This report seeks to determine the importance of Thomas University to Southwest Georgia. It represents a careful examination of the evidence available from detailed research conducted according to the best practices in the industry. A summary of the University's impact numbers is presented below, followed by in-depth discussions of the University's impact on Southwest Georgia.

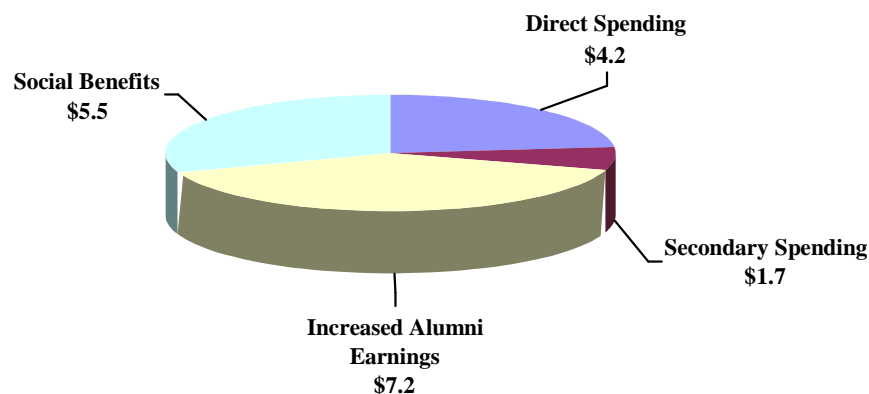
In 2005-2006 the University contributed \$18.6 million in additional spending to Southwest Georgia including:

- \$4.2 million in direct spending
- \$1.7 million in secondary business spending
- \$7.2 million in increased alumni earnings
- \$5.5 million in social benefits

The University provided employment opportunities:

- 93 Full Time Jobs
- 31 New Jobs in Southwest Georgia

EXHIBIT 1
TOTAL THOMAS UNIVERSITY IMPACT
(in millions of dollars)



These statistics were determined by tracing the dollars spent, the people employed, the assets added, the taxes affected, and the sales generated in Southwest Georgia.

Thomas University is an export industry in Southwest Georgia: 35% of Thomas University revenue comes from bringing new money to Southwest Georgia or retaining local money in the region. Both of these activities help to stimulate the local economy. A summary of the University's impact numbers is presented below, followed by in-depth discussions of the University's impact on the region.

SOURCE OF THE DATA

The \$18.6 million added to the income flow in Southwest Georgia by the University in 2005-2006 can be broken down further:

- \$5.8 million in Direct and Secondary spending. This came out of the pockets of students, faculty, staff, and employees, as well as others associated with the University.

- \$7.2 million earned and spent by the 1,859 Thomas University alumni in the area. This was income generated by the improved economic standing of the alumni and represents what their education is worth to them on a day to day basis.
- \$5.5 million in Social Benefits. This consisted of the benefit of reduced alcoholism, incarceration, unemployment and welfare because of the choices made by Thomas University alumni who live in the community.

THOMAS UNIVERSITY IMPACT

Thomas University made a considerable impact on the Southwest Georgia business community in 2005-2006. A total of \$4.2 million was directly spent by the University and its faculty, staff, students, and visitors. This money was spent and re-spent several times in the community. Some of it was paid to local merchants or was received as income by local residents. The amount of the turnover was almost \$1.7 million in 2005-2006, this is also known as the multiplier effect: that is how an infusion of revenue then echoes through an economy to stimulate additional revenue.

Of the \$4.2 million spent in Southwest Georgia by the University community, Thomas University itself spent 52% of that amount, or \$2,151,000 with area businesses. The faculty and staff contributed 30% of this flow, or \$1,253,000. The University's students who came from outside the region accounted for \$589,000, or 14%, of the total spending on food, clothing, and other goods. Visitors to the campus and University events represented \$178,000 or 4%.

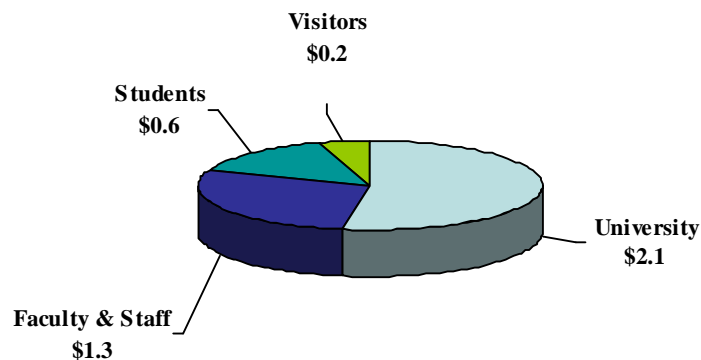
EXHIBIT 2

DIRECT SPENDING BY THOMAS UNIVERSITY IN SOUTHWEST GEORGIA

University Spending	\$2,151,254
Faculty & Staff Spending	\$1,253,307
Student Spending	\$589,000
Visitor Spending	\$178,150
	\$4,171,711

EXHIBIT 3

THOMAS UNIVERSITY DIRECT IMPACT (in millions of dollars)



DIRECT UNIVERSITY SPENDING

Thomas University spent \$5,975,000 in the 2005-2006 fiscal year in Southwest Georgia. Of that amount, \$2,151,000 came from revenues from either students who came from outside of Southwest Georgia to attend TU or students who stayed in the region to attend Thomas University. Not included in this total are salaries to employees, loans and grants to students, and purchases of goods and services from organizations outside of Southwest Georgia. If salaries to employees were included, then the total amount of University spending in the region would be even more significant.

FACULTY AND STAFF SPENDING

In 2005-2006 the payroll for Thomas University employees was \$4.3 million. Payroll is derived from student tuition and fees. Thirty five percent of student payments originated with students from elsewhere or local students who did not have to leave the area to attend university. Thus the share of TU payroll coming from this new money was \$1,253,000. This local spending by faculty and staff boosted the Southwest Georgia economy.

STUDENT SPENDING

There were 802 students at Thomas University during last year. One hundred and thirty-nine students came from outside Southwest Georgia. Another 89 would have left the area if Thomas University were not here. These students spent \$589,000 in Southwest Georgia.

VISITOR SPENDING

Over 3,400 people from outside the region came to the Thomas University campus for baseball, softball, and soccer games, parental visits, summer camps, and conferences in 2005-2006. Together they spent \$178,150.

EXHIBIT 4 SPENDING BY VISITORS TO THE THOMAS UNIVERSITY CAMPUS

EXPENDITURES BY OUT OF AREA VISITORS AT LOCAL BUSINESSES

Category	Number of Visitors	x	Average Expenditure	=	Total Expenditures
Alumni Events	130		\$80		\$10,400
Athletic Events	2,000		\$55		\$110,000
Graduation	375		\$50		\$18,750
Parent Visits	750		\$40		\$30,000
Prospective Students	200		\$45		\$9,000
TOTAL	3,455				\$178,150

THE MULTIPLIER EFFECT

The total direct impact of the Thomas University community in Southwest Georgia was almost \$4.2 million in 2005-2006. This amount went to area businesses, including utilities, plumbers, restaurants, property owners, hotels, and other services. Many of these enterprises depend on the University for a significant share of their revenue. In turn, the delivery driver to the dining hall buys some of his gas locally. The motel that hosts a parent from Atlanta gets its cleaning supplies from local markets. Of

course, both the food purveyor and the motel pay their employees from money spent by the Thomas University community. All of this accounts for \$1,669,000 re-spent in the area in 2005-2006.

The impact of this re-spending is known as the multiplier effect. Economic factors that take place outside the local economy -- for example Thomas University spending in Atlanta or Tallahassee -- are called leakages and reduce the multiplier and overall impacts. They are excluded when estimating regional economic impacts. While the direct effects of private colleges and universities can be measured by a straightforward methodology, secondary effects of institutional spending must be estimated using regional multipliers.

Multipliers can vary widely by industry and area. Multipliers are higher for regions with a diverse mix of industries. Industries that make extensive use of goods and services from within Georgia have higher statewide multipliers. Industries that buy most of their material from outside the state tend to have lower multipliers. The same is true in the case of multipliers for counties or other sub-state areas. Multipliers tend to be higher for industries located in large urban areas, because more of the spending by the industry stays within the area. Smaller, rural areas generally have lower multipliers, because industries must use firms outside the area for supplies and services. Multipliers for the entire state are larger than sub-state multipliers, because the initial gains (or losses) in an industry are magnified over a larger geographic area.

The multipliers used in this report were derived from the Minnesota IMPLAN Group, Inc. Exhibit 5 shows that for every \$1.00 of Thomas University Community spending there was an additional \$0.40 spent in Southwest Georgia.

EXHIBIT 5

Thomas University Direct and Secondary Expenditure Impacts

	Direct Impact	Secondary Impact	Total Impact
Thomas University Community Multiplier (1)	1	0.400	1.400
University Spending	\$2,151,254	\$860,502	\$3,011,756
Faculty & Staff Spending	\$1,253,307	\$501,323	\$1,754,630
Student Spending	\$589,000	\$235,600	\$824,600
Visitor Spending	\$178,150	\$71,260	\$249,410
	\$4,171,711	\$1,668,685	
Thomas University Direct and Secondary Expenditure Impact			\$5,840,396

(1) Minnesota IMPLAN Group. Multiplier for Higher Education Industry in South Georgia in 2006.

JOB IMPACT

There were a total of 93 full-time faculty and staff members at Thomas University in 2005-2006. Most of the income of these employees after taxes went into the local economy. There were also jobs for students on campus.

Additionally, there were 31 people who owed their jobs to the presence of Thomas University. Overall, the University contributed 124 jobs to Southwest Georgia.

ALUMNI IMPACT

The Thomas University contribution to the area in human terms is substantial. It can include teachers at area high schools, or accountants at local businesses. Thomas University alumni earned an average of \$7,788 more per year than high school graduates. When those increased earnings were spread over the 1,859 Thomas University alumni in Southwest Georgia, there were \$14.48 million in extra earnings that Thomas University added to the local economy. Half of this total or \$7.24 million can be claimed as the University contribution because these individuals could have received their degree from any of a number of other institutions.

SOCIAL BENEFIT IMPACT

Education pays -- not just in better incomes but also in better lifestyles. Better living pays benefits to society. University graduates tend to possess greater self-esteem; live longer, healthier lives; assume greater civic responsibility; enjoy more aesthetic interests; attend more athletic events; exercise better moral judgment; and nurture children more effectively than do those without University educations.

Thomas University alumni incur lower health and human service costs than high school graduates do. University alumni are less likely to be substance abusers and less likely to be unemployed or receiving welfare benefits. They also have lower probabilities of incarceration and incurring crime victim costs.

The total value of these reduced social costs is \$11 million. Fifty percent of this Social Benefit Impact of Thomas University alumni, or \$5.5 million, is included in this report. This assigned some of the responsibility for social benefits to the University and left some credit to other factors such as family background and personal characteristics. Exhibit 6 below shows the total social benefits of Thomas University.

EXHIBIT 6

<u>SOCIAL BENEFIT IMPACT IN SOUTHWEST GEORGIA</u>	
Reduced Absenteeism	\$533,521
Reduced Alcoholism	\$240,773
Reduced Crime Victim Cost	\$230,473
Reduced Incarceration	\$703,913
Reduced Smoking	\$369,874
Reduced Unemployment	\$2,050,352
Reduced Welfare Expenditures	\$1,401,026
Total Thomas University Social Benefit Impact	\$5,529,930

CONCLUSION

The significant economic impact of Thomas University on Southwest Georgia can be felt in a number of ways. The University produces alumni who earn more than their counterparts who did not attend college. These alumni adopt better lifestyles and thus save the community on expenses such as healthcare. The University provides employment opportunities, not only through jobs on campus but also through jobs generated by business the University and its members conduct locally. The University and those associated with it pumped \$18.6 million into the Southwest Georgia economy in 2005-2006. A significant portion of this money was brought in from outside the region. Southwest Georgia receives revenues from the University's operations. It is clear that in addition to the University's substantial contributions to the cultural life of the community it is making sizable economic contributions as well.