North Carolina’s Hispanic immigrants contribute more than $9 billion to economy, cost state budget net $102 per Hispanic resident, new study shows

CHAPEL HILL – North Carolina’s rapidly growing Hispanic population contributes more than $9 billion to the state’s economy through its purchases, taxes and labor, while costing the state budget a net $102 per Hispanic resident in health care, education and correctional services, according to a new study by researchers at the University of North Carolina at Chapel Hill.

If recent migration trends continue, the total economic impact of Hispanic spending in the state could increase to $18 billion by 2009.

These were among the key findings and conclusions of the first major comprehensive study of the state’s Hispanic population and its economic impact conducted by the Frank Hawkins Kenan Institute of Private Enterprise at UNC for the North Carolina Bankers Association (NCBA), in cooperation with the Mexican Consulate of Raleigh. The study assessed the economic impact of the state’s growing Hispanic population and identified potential business opportunities provided by this fast-growing market.

"This study quantifies for the first time the enormous economic contributions made by our state’s Hispanic population, as well as pointing to a wide range of public policy issues and business opportunities to be explored," said NCBA president and chief executive officer Thad Woodard.

"North Carolina policy-makers and business leaders now have a wealth of data and information on which to make decisions about both challenges and opportunities offered by this increasingly significant segment of our state’s population and economy."

Results of the study were released today (Jan. 3) at the 2006 Economic Forecast Forum sponsored by NCBA and North Carolina Citizens for Business and Industry.

"Immigrants from Latin America, authorized and unauthorized, are dramatically changing North Carolina’s demographic and economic landscape," reported study authors Dr. John D. Kasarda, director of the Kenan Institute, and Dr. James H. Johnson Jr., director of the institute’s Urban Investment Strategies Center. Both are professors at UNC’s Kenan-Flagler Business School.
"Hispanics live in every one of the state’s 100 counties and contribute to all sectors of the economy."

Among the study’s findings:

- North Carolina’s Hispanic population totaled 600,913, or 7 percent of the state’s total population, in 2004. The average Hispanic household contains 3.7 people (compared to 2.4 people in the average non-Hispanic household) and earns about $32,000 annually (compared to $45,700 for non-Hispanics).
- Hispanics accounted for 27.5 percent of the state’s population growth from 1990 to 2004 and 57 percent of the total enrollment growth in North Carolina Public Schools between school years 2000-2001 and 2004-2005.
- Hispanics filled one in three new jobs created in North Carolina between 1995 and 2005, with significant concentrations in the construction industry (29 percent of the labor force).
- North Carolina Hispanics’ after-tax income totaled an estimated $8.3 billion in 2004. With about 20 percent of that total sent home to Latin America, saved or used for interest payments, the remaining spending had a total economic impact of $9.2 billion on the state. Much of that spending occurs in the major metropolitan areas along the Interstate 40/Interstate 85 corridor, but it also supports businesses in every part of the state.
- Hispanics annually contribute about $756 million in taxes (direct and indirect) while costing the state budget about $817 million annually for K-12 education ($467 million), health care ($299 million) and corrections ($51 million) – for a net cost to the state of about $61 million, or $102 per Hispanic resident.

"The net cost to the state budget must be seen in the broader context of the aggregate benefits Hispanics bring to the state’s economy," researchers said. "Above and beyond their direct and indirect impacts on North Carolina business revenues, Hispanic workers contribute immensely to the state’s economic output and cost competitiveness in a number of key industries."

For example, without Hispanic participation in the construction industry, economic output of this important sector would be significantly lower and annual labor costs nearly $1 billion higher.

Looking ahead, researchers concluded, clear opportunities exist to capitalize on the presence of the Hispanic market, including:

- Tapping this growing consumer market by increasing the availability of goods and services that local businesses offer Hispanic consumers, particularly in rural areas, where Hispanic purchasing power is only partially tapped due to the lack of products and services they seek.
- Supporting the growth of Hispanic-owned businesses, which face many of the same challenges to startup and growth as do native entrepreneurs plus additional barriers of language, lack of credit histories and limited financial backing.
- Leveraging the state’s growing Hispanic network to increase export trade to Latin America and attract inward investment by Latin American companies in North Carolina.
The full report may be downloaded online at www.kenaninstitute.unc.edu.

For more information, contact the North Carolina Bankers Association at (919) 781-7979 or the Kenan Institute of Private Enterprise at (919) 962-8201.

The North Carolina Bankers Association provides educational and training programs, media relations, legislative liaison services, insurance benefits programs, regulatory and compliance assistance and other services to member financial institutions. It also operates as a wholly owned subsidiary the Community Investment Corporation of North Carolina, which provides long-term low-cost financing for low- to moderate-income multi-family developments in the state. For more information, visit www.ncbankers.org.

The Frank Hawkins Kenan Institute of Private Enterprise pursues cutting-edge programming and research in the areas of economic development, entrepreneurship and globalization. It is part of Kenan-Flagler Business School. For more information, visit www.kenaninstitute.unc.edu.

- 30 -

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