



THE ECONOMIC IMPACT OF THE HISPANIC POPULATION ON THE STATE OF NORTH CAROLINA

John D. Kasarda and James H. Johnson, Jr. FRANK HAWKINS KENAN INSTITUTE OF PRIVATE ENTERPRISE

Kenan-Flagler Business School THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL



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Founded in 1985, the Frank Hawkins Kenan Institute of Private Enterprise pursues cutting-edge programming and research in the areas of entrepreneurship, economic development, and globalization. It is part of Kenan-Flagler Business School at The University of North Carolina at Chapel Hill.

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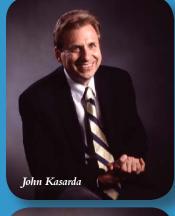
• John D. Kasarda

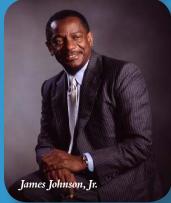
John D. Kasarda is the Kenan Distinguished Professor of Management at UNC's Kenan-Flagler Business School and the director of the Frank Hawkins Kenan Institute of Private Enterprise. He received his B.S. and M.B.A. (with distinction) from Cornell University and his Ph.D. from the University of North Carolina at Chapel Hill.

Kasarda has published more than onehundred scholarly articles and nine books on economic development and business issues. He is frequently quoted in the *Wall Street Journal*, *New York Times*, and other national and international media. He also has served as a consultant to the Carter, Reagan, Bush, and Clinton administrations and has testified numerous times before U.S. Congressional committees on urban and economic development. Kasarda has

been elected as a fellow of the American Association for the Advancement of Science for his research on demographics and job creation and a senior fellow of the Urban Land Institute.

At UNC-Chapel Hill, Kasarda also directs the Carolina Entrepreneurial Initiative, a pan-university initiative to foster entrepreneurship across the campus supported by the Ewing Marion Kauffinan Foundation, and the Center for International Business Education and Research, a national resource center funded by the U.S. Department of Education.





• James H. Johnson, Jr.

James H. Johnson, Jr. is the William Rand Kenan, Jr. Distinguished Professor of Management at the University of North Carolina at Chapel Hill. He holds degrees from North Carolina Central University (B.S., 1975), the University of Wisconsin at Madison (M.S., 1977), and Michigan State University (Ph.D., 1980).

Selected by *Fast Company* magazine as one of the "17 … brightest thinkers and doers in the new world of work," Johnson's current research and consulting activities focus on the workforce and workplace implications of post-1990 demographic changes in the United States and on how to create highly competitive and sustainable business enterprises and communities in the current era of economic uncertainty and global insecurity. His research on these and related topics has been widely

cited in a number of national media outlets, including the New York Times, Los Angeles Times, Wall Street Journal, Washington Post, Detroit Free Press, Newsweek, Time Magazine, U.S. News and World Report, and Business Week. He has also appeared on a number of national television shows, including The Today Show on NBC, CNN Headline News, CBS Evening News, ABC Nightly News, Sunday Morning on CBS, Inside Politics on CNN, and This Week in Review on NBC.

Prior to joining the UNC-Chapel Hill faculty, Johnson was a professor at the University of California, Los Angeles, where he spent the first twelve years of his professional career.



January 3, 2006

It has been more than one year since Armando Ortiz-Rocha, Mexican Consul in Raleigh, and Federico van Gelderen, now at Univision, presented to the senior management of the North Carolina Bankers Association the idea of supporting the first ever study of the economic impact of North Carolina's Hispanic community, to be conducted by the highly-respected staff of the Kenan Institute of Private Enterprise of the Kenan Flagler Business School at UNC-Chapel Hill. That first meeting was followed by a focus group organized to seek input from those banking leaders from across North Carolina who had already demonstrated a special dedication to serving the exploding Hispanic market in their individual service areas. Drs. Kasarda and Johnson explained how the study would be undertaken and the type of data that they felt they could develop.

The bankers at that focus group session and the members of the Board of Directors of the North Carolina Bankers Association who met shortly thereafter to consider the proposal reached three conclusions: 1) the proposed study would provide useful information to the membership of the NCBA; 2) the proposed study would be even more valuable to those in public policy-setting positions; and 3) the potential benefits of proposed study were too important to be left unrealized.

The late Harlan Boyles, who served for so many years and with such distinction as state treasurer of North Carolina, often met with the representatives of the NCBA and urged the bankers and senior staff to honor the tradition of leadership in the public affairs of the state exhibited by so many great bankers over the decades. In helping bring this study to reality, the NCBA both follows his wise advice and pays honor to his vision.

We must acknowledge and express appreciation to Drs. Kasarda and Johnson for the professionalism they brought to this project and to the dedicated team of researchers, led by Barbara Mason, for their diligence and devotion to bringing this undertaking to a successful conclusion.

> Hope Connell Chair of the NCBA Board of Directors

Secretaría de Relaciones Exteriores M É X I C O

December 2005

I would like to express my deep gratitude to the Kenan Institute of Private Enterprise and the University of North Carolina for their outstanding commitment in this research "**The Economic Impact of the Hispanic Population in North Carolina**". I am especially grateful to the North Carolina Bankers Association for its sponsorship. It is through research and exchanging points of view that we can really make a difference on what we can accomplish for Mexico and the United States relationship in the long run.

It has come as a surprise for many of us to learn that in the past decade the largest increase of Hispanic Population in the United States has taken place in North Carolina. These data suggest the influence that Hispanic community has acquired in the United States through the last decades and brings a series of questions and opinions on what role the community should play.

One of the major challenges and opportunities that both Mexico and North Carolina face today is to comprehend the real economic impact of the Hispanic Population. This is precisely the importance of this document: to provide an overview of the real impact of the Hispanic Population in North Carolina (close to 75% of which comes from Mexico), to attain an objective balance of their contributions and costs of providing social services to them. In this way, the debate can shift from the level of emotions and political opinions into the level of plain reality. The outcome of this research will also allow our governments to take better decisions and to enact more sound and inclusive public policies.

Mexican migrants have significantly contributed to the economic, social and political development of their original communities, as well as to the places where they have settled in. The contributions of Mexican immigrants to the American economy and society are indeed considerable.

This document is part of a vast effort trying to properly assess the increasing complexity of the relationship between Mexico and the United States. A more wide and profound understanding of all the issues that stem from the interactions of both countries will certainly lead to a more prosperous future in our region.

Luis Ernesto Derbez Bautista Secretary of Foreign Affairs of Mexico



CONSULATE OF MEXICO IN RALEIGH (with jurisdiction in North Carolina and South Carolina)

December 2005

In the last decade, the Mexican migrant population in North Carolina has grown at unexpected rates, surpassing all estimates. Concerned about this extraordinary evolution and of its economic and social consequences, two years ago Federico van Gelderen – currently at Univision – and I began discussing the need of understanding its causes and implications. We did not anticipate at the time that our discussions would lead to this outstanding and comprehensive research by the Kenan Institute for Private Enterprise at UNC-Chapel Hill on the Economic Impact of the Hispanic Population in North Carolina.

Therefore, I would like to express my deepest gratitude to John Kasarda, Jim Johnson, Barbara Mason and the rest of their team for having committed themselves to the important and intricate task of analyzing the economic impact and contributions of the Hispanic-Mexican community to the state. The North Carolina Bankers Association deserves special mention for the generous financial support in making this study a reality. I would particularly like to thank Thad Woodard and Paul Stock for their leadership toward this aim.

I am certain that this remarkable research – the first one of its kind in North Carolina – will encourage academics, members of Congress, entrepreneurs, journalists, policy makers, and the general public to deepen the understanding of the many complexities the migration phenomenon involves, helping us all to conceive better economic opportunities for North Carolina, as well as more balanced social policies for the community at large.

Armando Ortz-Rocha Consul of Mexico in Raleigh

ACKNOWLEDGEMENTS LEDGEMENTS

This study was supported by the North Carolina Bankers Association (NCBA), in cooperation with the Consulate of Mexico in Raleigh, North Carolina. We owe sincere gratitude to Thad Woodard and Paul Stock of NCBA and Consul Armando Ortiz-Rocha for their unwavering commitment to this project. Likewise, Federico van Gelderen of Univision was highly supportive throughout this project.

We also are indebted to the executive officers of several NCBA member banks and to a group of North Carolina community leaders who gave us important guidance and feedback on both our research design and the contents of a draft of this report.

During the course of the study, we received input, direction, and feedback from experts—academic and applied researchers as well as practitioners—in a range of fields. We extend our heartfelt thanks to these individuals for taking

the time to assist us with various aspects of our analyses.

From the Frank Hawkins Kenan Institute of Private Enterprise, we gratefully acknowledge Michael Luger, Brent Lane, and Paul O'Shaughnessy of the Carolina Center for Competitive Economies, who assisted with statistical routines that serve as the basis of our analysis of the economic impacts of Hispanics in the state. Stephen Appold, senior research associate at the Kenan Institute, provided valuable input to the study as well.

Finally, this report would not have been possible without our able and intensely committed research team, including Barbara Mason, who served as the project manager, and Mary-Carmen Aguilar, Derrek Croney, Jonathan Green, Jie Huang, David Sullivan, and Bryan Walls.

We, of course, assume sole responsibility for the analyses, findings, and conclusions presented.

John D. Kasarda James H. Johnson, Jr.

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EXECUTIVE SUMMARY

Immigrants from Latin America, authorized and unauthorized, are dramatically changing North Carolina's demographic and economic landscape. Hispanics live in every one of the state's 100 counties and work in all sectors of the economy.

North Carolina's rapidly growing Hispanic population contributes more than \$9 billion to the state's economy through its purchases and taxes, while the net cost to the state budget (after Hispanic tax contributions) is an estimated \$102 per Hispanic resident for health care, education, and corrections.

If recent migration trends continue, the total economic impact of Hispanic spending in North Carolina could increase to \$18 billion by 2009. Clear opportunities exist for financial institutions and other businesses statewide to capitalize on this increasingly significant market.

This study documents the nature and magnitude of North Carolina's Hispanic population change and estimates the economic impact of Hispanic residents on individual counties, metropolitan areas, and the state as a whole, along with their associated costs and benefits.

Among the study's key findings:

- North Carolina's Hispanic population in 2004 totaled 600,913, or 7 percent of the state's total population, and accounted for 27.5 percent of the state's population growth from 1990 to 2004.
- Between 1995 and 2004, 38.2 percent of North Carolina's Hispanic newcomers migrated from abroad, 40.2 percent migrated from another U.S. jurisdiction, and 21.6 percent were born in North Carolina.
- Nearly half (45 percent) of North Carolina's Hispanic residents in 2004, and over three-quarters (76 percent) of those migrating to the state from abroad between

1995 and 2004, did not have authorization.

- From school years 2000-01 to 2004-05, Hispanic students accounted for 57 percent of the total growth in North Carolina public schools.
- The average Hispanic household contains 3.7 persons (compared to 2.4 persons in the average non-Hispanic household) and earns about \$32,000 annually (compared to \$45,700 for non-Hispanics).
- Prime working-age adults (18–44) make up a significantly higher percentage of the population in Hispanic (55.3 percent) than in non-Hispanic (37.3 percent) households.
- Hispanics filled one in three new jobs created in North Carolina between 1995 and 2005, with a significant concentration in construction.
- North Carolina Hispanics had an estimated total after-tax income of \$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 impact of \$9.2 billion on the state—much of which is concentrated in the major metropolitan areas along the Interstate 40/Interstate 85 corridor, but which 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.
- 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. 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. Without Hispanic labor, for example, the state's construction industry output would likely be considerably lower and the state's total privatesector wage bill as much as \$1.9 billion higher.

At least three areas of significant opportunity exist to expand the economic impact of North Carolina's growing Hispanic population.

- In some N.C. counties, Hispanic buying power exceeds their economic impact because communities lack sufficient retail and service facilities to meet the consumer needs of Hispanics. In such instances, Hispanic spending takes place outside these counties—commonly termed "leakage." Businesses across the state, particularly in rural areas, stand to benefit if they can find ways to forestall leakage and tap this growing market.
- Promoting Hispanic entrepreneurship is a related opportunity for the state. In 2002, there were 9,047

Hispanic-owned businesses in North Carolina that generated \$1.8 billion in sales and receipts. The potential for further Hispanic business development is immense. This potential will not be achieved, however, unless barriers are addressed (e.g., complex English-languageonly legal and reporting documents, lack of credit histories and associated financing) that limit the start-up and growth of Hispanic businesses.

 North Carolina exports to Latin America have grown markedly in recent years. Such exports were responsible for nearly 70,000 jobs and \$231 million in state and local taxes in 2004. At the same time, significant potential exists for Latin American-headquartered companies to invest in North Carolina to serve the state's rapidly expanding Hispanic population.

Taking advantage of these business opportunities could boost North Carolina's employment growth and overall economic prosperity considerably for decades to come.

DEMOGRAPHIC IMPACT

How do we define the Hispanic population?

We follow the U.S. Bureau of the Census in defining Hispanics as those who classify themselves in one of the specific Hispanic origin categories: Mexican, Puerto Rican, Cuban, Dominican, as well as Central American or South American (Spanish-speaking countries). Persons who identify themselves as "Other Spanish/Hispanic" are those whose origins are in Spain or who identify themselves generally as Spanish, Spanish-American, Hispanic, Hispano, Latino, and so on. Hispanic is an ethnic designation. Hispanics may be of any race.

What has been the trend in Hispanic population growth in North Carolina?

Paralleling national trends, North Carolina's Hispanic influx began in the 1960s, grew slowly in the 1970s and 1980s, and has increased exponentially since 1990 (Figure 1). The growth from under 44,000 in 1970 to the American Community Survey (ACS) estimate of 506,206 in 2004 represents a 1,066 percent increase, compared to a 355 percent increase in the nation's Hispanic population during this same period.

Many believe that the 506,206 number from the 2004

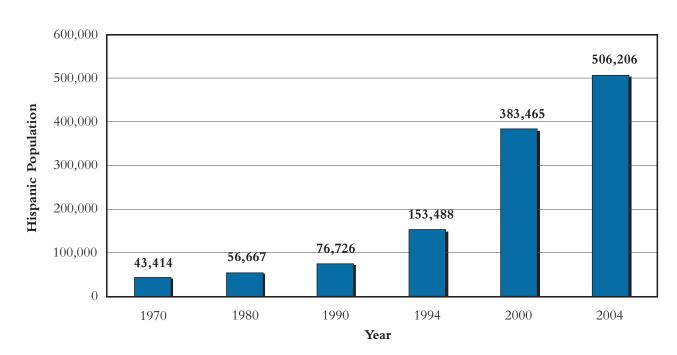


Figure 1 GROWTH OF HISPANIC POPULATION IN NORTH CAROLINA, 1970-2004

Source: U.S Census Bureau, Working Paper Series No. 56, September 2002; U.S. Census Bureau, Census 2000; U.S. Census Bureau, ACS, 2004

ACS significantly underestimates the actual number of Hispanics in North Carolina. Our research supports this contention. We estimate that a total of 600,913 Hispanics resided in the state in 2004 (Appendix A). According to our calculations, Hispanics accounted for 27.5 percent of the state's population growth between 1990 and 2004. They now make up 7.0 percent of the state's residents, up from 1.1 percent in 1990.

From where do North Carolina's Hispanics originate?

Hispanic residents of North Carolina originate from three sources: those moving directly to the state from Mexico and other Latin American countries; those moving from other U.S. jurisdictions; and those born in North Carolina. Between 1995 and 2004, 38.2 percent came directly from abroad, 40.2 percent migrated from another jurisdiction, and 21.6 percent were born in North Carolina (Table 1). Of those Hispanics coming from abroad, nearly three quarters (73 percent or 149,600) came from Mexico.

Our analysis of applications for Mexican identification cards (Matricula Consular) revealed that the majority of Mexican newcomers to North Carolina come from nine states in Mexico: Guerrero, Veracruz, Guanajuato, Michoacan, Hidalgo, Oaxaca, Estado de Mexico, Puebla, and Distrito Federal.¹ As Figure 2 shows, N.C. immigrants from these Mexican states tend to follow established migration streams leading to settlement in specific areas within the state.²

Most of the remaining Hispanic movers from abroad come from other parts of Latin America (21 percent or 43,915). Data compiled by the Department of Homeland Security (DHS) on immigrant admissions indicate that the key sending countries include: El Salvador, Guatemala, Honduras, and Nicaragua in Central America; Colombia, Peru, and Ecuador in South America; and Puerto Rico, a U.S. territory sending mainly military personnel and their

	1995-1999	2000–2004	Percent of Total 1995–2004
All Hispanics	206,482	294,833	100.0
Born in North Carolina	35,404	75,497	21.6
All movers from abroad	94,187	102,262	38.2
Movers from Mexico	72,166	77,434	
Movers from other Latin American countries	19,633	24,282	
Movers from non-Latin American countries	2,388	546	
U.S. jurisdiction movers	76,891	117,074	40.2

 Table 1

 GEOGRAPHIC ORIGINS OF NORTH CAROLINA HISPANICS, 1995-2004

Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, ACS, 2004; North Carolina State Center for Health Statistics (NCSCHS), Health Data, 1995-2004

¹ Matricula Consular identification cards are issued through the Consulate of Mexico in Raleigh, North Carolina. These identification cards are also issued at mobile consulate-sponsored events throughout North and South Carolina. Applicants must provide proof of nationality, identity, and address in the United States. These requirements serve the purpose of ensuring the reliability and security of the consular identification cards being issued.

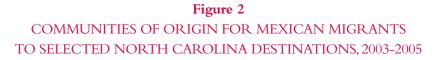
² A. Charbonnier, "Taste for dollars hard to resist: economic woes at home force many to migrate," Durham <u>Herald-Sun</u>, November 28, 2005.

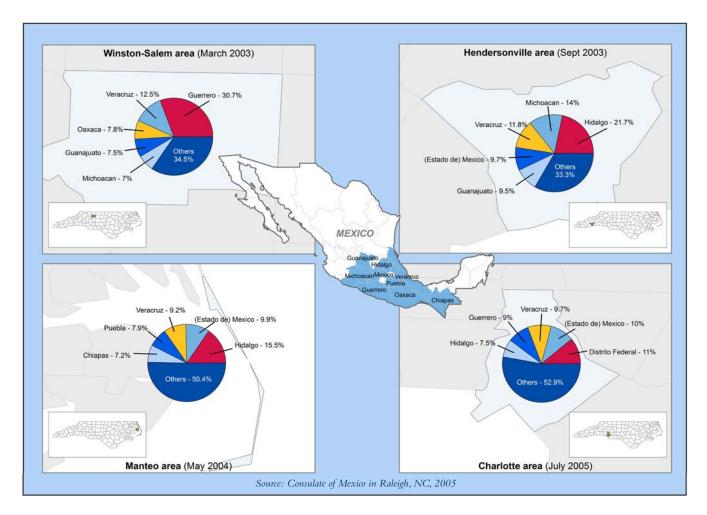
families, and the Dominican Republic in the Caribbean. A very small percentage of Hispanic newcomers to the state (1.4 percent or 2,934) come from countries outside of Latin America.

Hispanic movers from other U.S. jurisdictions come to North Carolina primarily from metropolitan areas within certain U.S. immigrant gateway states.³ Between 1995 and 2000, as Figure 3 shows, the largest numbers moved from the following six metropolitan areas: Los Angeles (5,589), New York (5,040), Houston (3,623), Orange County, California (2,733), Chicago (2,254), and Washington, D.C. (2,116).

Where do Hispanics reside in North Carolina?

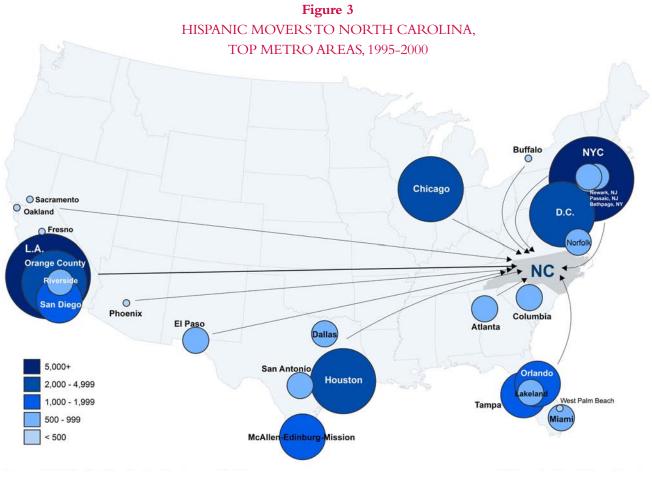
Hispanic newcomers to North Carolina—both movers from abroad and movers from other U.S. jurisdictions have settled primarily in the state's metropolitan communities (Table 2).





³ The top five sending states between 1995 and 2000 were: California (15,600), Florida (11,291), Texas (10,990), NewYork (7,633), and Virginia (3,374). Between 2001 and 2004, U.S. states generating the largest Hispanic flows to North Carolina were California (19,508), Florida (8,777), South Carolina (8,715), NewYork (8,045), and Colorado (7,131).

The Economic Impact of the Hispanic Population on the State of North Carolina



Source: U.S. Census Bureau, Census 2000

Table 2DISTRIBUTION OF HISPANICS ACROSS NORTH CAROLINAMETRO AND NON-METRO AREAS, 1980-2004

	1980	1990	2000	2004
Total Hispanic population	56,667	76,726	378,963	506,206*
Metro areas	37,105	55,011	265,441	367,905
Percentage	65.5	71.7	70.0	71.1
Non-metro areas	19,562	21,715	113,522	149,712
Percentage	34.5	28.3	30.0	28.9

* Note that the ACS Hispanic population estimate for the entire state is slightly smaller than the Census Bureau's county by county estimates, which total 517,617.

Source: U.S. Census Bureau, Census 1980-2000; U.S. Census Bureau, ACS, 2004; U.S. Census Bureau, Population Estimates, 2004

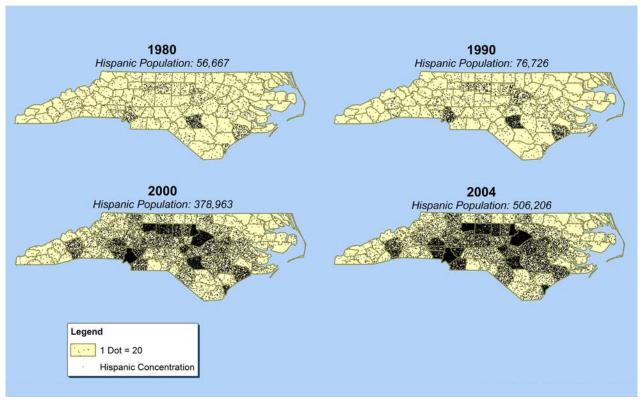
The largest concentration of Hispanics can be found in the metropolitan counties along the state's "urban crescent," or I-40/I-85 corridor, which extends from Wake County in the east to Mecklenburg County in the southwest (Figure 4). Some data to consider (Figure 5A-5D):

- Since 2000, the largest net absolute growth in the state's Hispanic population occurred in three counties along the corridor: Mecklenburg (+21,475), Wake (+16,853), and Forsyth (+9,212).
- The seven counties experiencing the largest relative Hispanic population growth since 2000 are located along the corridor: Camden (85.7 percent), Union (69.7 percent), Cabarrus (59.2 percent), Davidson (55.5 percent), Gaston (54.7 percent), Alamance (49.7 percent), and Wake (49.6 percent).
- In 2004, 33 percent of the state's Hispanic population

was concentrated in four counties along the corridor: Mecklenburg (12.8 percent), Wake (9.8 percent), Forsyth (5.6 percent), and Durham (4.8 percent). Between 1990 and 2004, these four counties accounted for one third of the state's Hispanic population increase.

- In 2004, over half of all Hispanic births in the state were concentrated in nine corridor counties: Mecklenburg (13.4 percent), Wake (10.6 percent), Forsyth (6.5 percent), Durham (4.8 percent), Guilford (4.1 percent), Cumberland (3.2 percent), Union (2.6 percent), Cabarrus (2.5 percent), and Alamance (2.5 percent).
- Until recently, Hispanics were also highly concentrated within the vicinity of military bases in Cumberland and Onslow counties. These two counties lost Hispanic population (-7.9 percent and -8.3 percent, respectively) between 2000 and 2004, however, in all likelihood a result



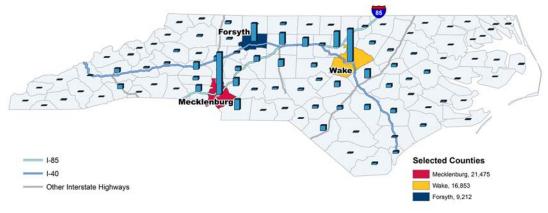


Source: U.S. Census Bureau, Census 1980-2000; U.S. Census Bureau, Population Estimates, 2004

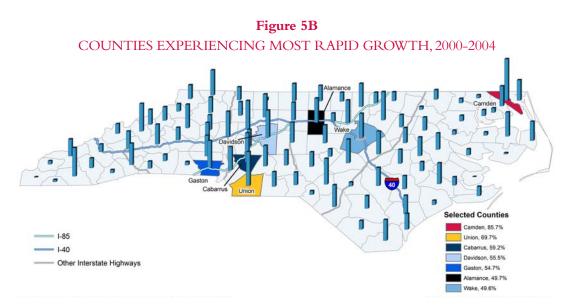
of troop deployment to Afghanistan and Iraq.⁴

• Only 30 percent of the state's Hispanic population resides in non-metropolitan or rural counties. The Hispanic share of the total population is relatively small in most of these counties. There are four rural counties, however, in which the Hispanic share exceeds 10 percent: Duplin (18.2 percent), Sampson (14.3 percent), Lee (13.4 percent), and Montgomery (13.3 percent). Specialty industries that rely heavily on Hispanic labor (mainly turkey, poultry, and hog processing plants) are largely responsible for the high concentration of Hispanics in these counties (Figure 6).





Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, Population Estimates, 2004



Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, Population Estimates, 2004

⁴ Many of the Hispanics in these two counties are Puerto Ricans with ties to the military. When they are deployed, their families often leave the area as well.

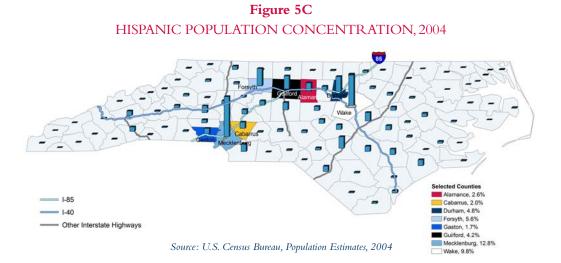


Figure 5D CONCENTRATION OF HISPANIC BIRTHS, 2004

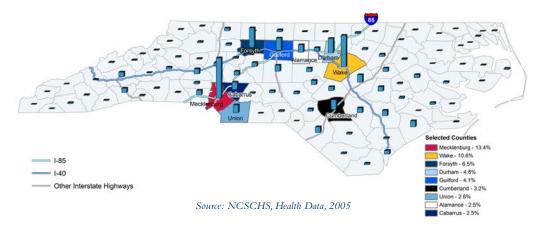
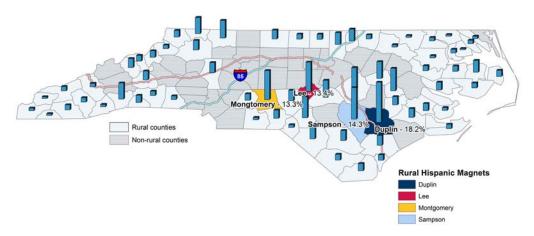


Figure 6 HISPANIC RURAL MAGNET COUNTIES IN NORTH CAROLINA, 2004



Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, Population Estimates, 2004

How large is the unauthorized Hispanic population in North Carolina?

By virtue of either having been born in North Carolina (20.7 percent) or in another U.S. jurisdiction (20.7 percent), 41.4 percent of the state's Hispanics are U.S. citizens.⁵ The remaining 58.6 percent of the state's Hispanic population are foreign-born and either have become naturalized citizens, obtained a visa, or have migrated to North Carolina without legal authorization (Table 3).

Due to the undocumented nature of entry, the unauthorized proportion of the foreign-born Hispanic population is difficult to estimate. Our estimate was derived by matching Hispanic movers from abroad to North Carolina between 1995 and 2004 with Immigration and Naturalization Services (INS) data on those receiving formal authorization during this period. Of the 196,449 Hispanics who immigrated to North Carolina between 1995 and 2004, 47,390 received some form of authorized documentation. Thus, we estimate that 76 percent of Hispanic immigrants to the state over the past ten years were unauthorized. When calculated on the basis of all Hispanic residents of North Carolina (including those born in the state and other U.S. jurisdictions), unauthorized residents constitute 45 percent of North Carolinas Hispanic population.

Do North Carolina's Hispanics fit the typical demographic profile of an immigrant population?

Immigrant households tend to differ from nonimmigrant households in three ways. First, immigration streams typically are disproportionately populated, at least initially, by males traveling alone. Women and children usually follow after the male immigrants gain a foothold in the labor market. Throughout the 1995-2004 period, males constituted over half of the Hispanic migration into North Carolina (Table 4). During the economic boom of the late 1990s, when the demand for labor in North Carolina was especially strong, they accounted from almost two-thirds of the flow. Since 2000, the gender ratio is moving toward becoming more balanced, although males still account for over half of the in-migration. The relatively weak economies of Mexico and Central America, which continue to drive Hispanic males to North Carolina in search of jobs and higher wages, are largely responsible for the persistent gender imbalance.

Birth Place	Total Population†	%	Authorized Population	%
All North Carolina Hispanics	600,913	100.0	333,564	55.5
Hispanics born in North Carolina	124,283	20.7	124,283	100.0
Hispanics born in other U.S. jurisdictions	124,392	20.7	124,392	100.0
Hispanics born in Mexico	268,952	44.8	64,817	
Hispanics born in other Latin American countries	79,524	13.2	19,165	24.1
Hispanics born in other countries	3,762	0.6	907	

Table 3LEGAL STATUS OF HISPANICS RESIDING IN NORTH CAROLINA, 2004

† See Appendix A for methodology

Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, ACS, 2004; NCSCHS, Health Data and Vital Statistics, 1988-2004; Center for Immigration and Naturalization, 2004

⁵ A much higher percentage (58 percent) of the U.S. Hispanic population is native born.

Second, migration is an age-selective process. Younger people have a higher propensity to move than older people. Nowhere is this more apparent than with Hispanic newcomers to North Carolina. As Figure 7 shows, 55.4 percent of North Carolina's Hispanics are between the ages of 18 and 44, while only 37.4 percent of the state's non-Hispanics are of this age.⁶ In part because these are the prime childbearing years, and partly because the overall migration has matured sufficiently that more women and intact families are now relocating to the state, the concentration of 5 to 17 year olds, and especially children under 5, is much higher among Hispanics than non-Hispanics.

Third, cultural forces play a greater role in the composition of immigrant households than in nonimmigrant households. Figure 8 indicates that the Hispanic population and the non-Hispanic population of North Carolina are similarly distributed across the four main American household types.⁷ But these data mask major differences in the size and composition of the state's Hispanic households versus non-Hispanic households (Table 5).

With regard to size, the average Hispanic household (3.7 persons) is much larger than the average non-Hispanic household (2.4 persons).⁸ Two factors largely account for the average size differential. First, Hispanic households are more likely to contain children under age 18 (34.7 percent of the total population) than non-Hispanic households (24.8 percent of the total population). Second, extended family members and non-relatives are far more likely to live in Hispanic households (17.8 percent of the total population) than in non-Hispanic households (7.9 percent of the total population) (Figure 9).⁹

	1995-1999	2000-2004
Total Hispanic Movers	171,078	219,336
Male	106,320	120,586
Percentage	62.1	55.0
Female	64,758	98,750
Percentage	37.9	45.0

Table 4MIGRATION TO NORTH CAROLINA BY GENDER, 1995-2004

Source: U.S. Census Bureau, Census 2000; U.S. Census Bureau, ACS, 2000-2004

⁶ Comparable statistics for the United States are 45.3 percent and 36.8 percent, respectively.

- ⁷ Heightened immigration to the United States, combined with changing attitudes toward work, marriage, and childbearing, have dramatically altered the structure, size, and composition of American households over the past quarter century. Presently, the effects of these forces are manifested in four distinct American household types: nuclear family households—adult householder and partner with or without own children; unmarried couple households—adult householder. All of these household types may have other relatives and/or non-relatives living with them.
- ⁸ For Hispanics, the average ranges from a high of 4.0 persons per household (nuclear family households) to a low of 1.8 persons per household (single person households). For non-Hispanics, the average ranges from a high of 3.0 persons per household (nuclear family) to a low of 1.1 persons per household (single person households).
- ⁹ The presence of extended family and non-relatives is especially high in Hispanic single parent (38.3 percent of the total population) and single individual living alone (42.5 percent of the total population) households. Approximately 10 percent of the population living in nuclear family households and 13.9 percent of the population living in unmarried couple households in the Hispanic community are extended family and/or non-relatives. As can be seen in Figure 9, extended family and non-relatives make up a much smaller percentage of the population in non-Hispanic households.

Strong familial, kinship, and ethnic ties deeply rooted in communities of origin, which often trigger chain migration (Figure 2), are largely responsible for the household size differential. Prime working-age adults (18–44) also make up a significantly higher percentage of the population in Hispanic households (55.3 percent) than in non-Hispanic (37.3 percent) households (Table 5). Given that immigration streams, at least initially, are typically populated by individuals (usually males) rather than intact families, it should not be surprising that the highest concentration of prime working-age adults is in Hispanic households headed by a single person living alone (77.5 percent of the population versus 40.0 percent of the population in non-Hispanic households of this type), as Table 5 details.¹⁰

In part as a function of this high concentration of

young adults, Hispanic heads of household (median age 34) are much younger than the heads of non-Hispanic households (median age 47). This age disparity holds across all household types (Table 5).

What is the likely impact of this demographic profile on Hispanic births in North Carolina?

In 2004, almost half of Hispanic females in the state were between the ages of 18 and 44 (49.2 percent or 110,134). The second largest group (40.4 percent or 90,414) was between the ages of 0 and 17. With such a high concentration of women in their childbearing years and such a large number who will reach childbearing age in the decades to come, the potential for rapid Hispanic growth through natural population increase, i.e. births

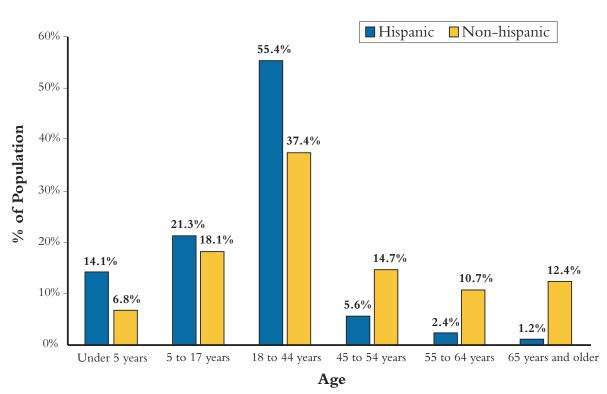


Figure 7 POPULATION IN NORTH CAROLINA BY AGE AND HISPANIC ORIGIN, 2004



¹⁰ A significant number of Hispanics who are identified in the Census as "single, living alone" often share housing with other individuals who are also identified as "single, living alone." This is very common in the early phases of a new immigration wave when the flow is disproportionately populated by males traveling alone.

minus deaths, is significant.

A review of North Carolina's vital statistics reveals the extent to which births to Hispanics differ from that of other racial/ethnic groups. Between 1990 and 2003, state births to all residents increased by 13.2 percent. Non-Hispanic white births increased by 1.4 percent, American Indians 9.0 percent, and Asian or Pacific Islanders 198.0 percent.¹¹ As a consequence of the rapid growth of North Carolina Hispanics in their prime childbearing years and their relative high fertility rate, births to Hispanics increased by 816.8 percent during this period (Table 6). As a function of this rapid increase in Hispanic births, the Hispanic share of all North Carolina births increased from 1.6 percent in 1990 to 13.6 percent in 2003. Similarly, the Hispanic share of the population under age five increased from 1.9 percent to 14.1 percent during this same period.

What is the impact on North Carolina's public schools?

The rapid immigration and interstate migration of younger Hispanics to North Carolina and the resulting increase in Hispanic births have dramatically changed the racial/ethnic composition of N.C. public schools. Over

Table 5				
DEMOGRAPHIC CHARACTERISTICS OF HISPANIC AND				
NON-HISPANIC HOUSEHOLDS IN NORTH CAROLINA, 2004				

INDICATOR	AI Hispanic N	L 'on-Hispanic				SINGLE-PERSON Hispanic Non-Hispanic				
Average Household Size	3.7	2.4	4.0	3.0	3.9	2.8	4.0	2.8	1.8	1.1
% Children under 18	34.7	24.8	36.9	25.9	38.6	23.5	38.5	39.3	1.7	0.5
% Prime Working Age (18-44)	55.3	37.3	52.3	34.8	59.0	57.9	53.9	38.6	77.5	40.0
Median Age of Household Head	34	47	35	48	30	35	33	42	36	52
Median Years School Completed	7.5	12.0	9.0	12.0	5.5	12.0	7.5	12.0	9.0	14.0
Median Household Income	\$32,000	45,700	37,000	59,000	28,000	42,500	28,300	23,900	15,000	22,600
Per Capita Income	\$8,649	15,480	11,600	19,865	7,976	15,179	9,549	8,536	15,645	20,545
% in Poverty	26.3	14.5	19.4	5.6	39.9	27.9	34.7	33.8	37.5	23.8

Source: U.S. Census Bureau, ACS, 2004

¹¹ Black births declined by 11.6 percent during this period.

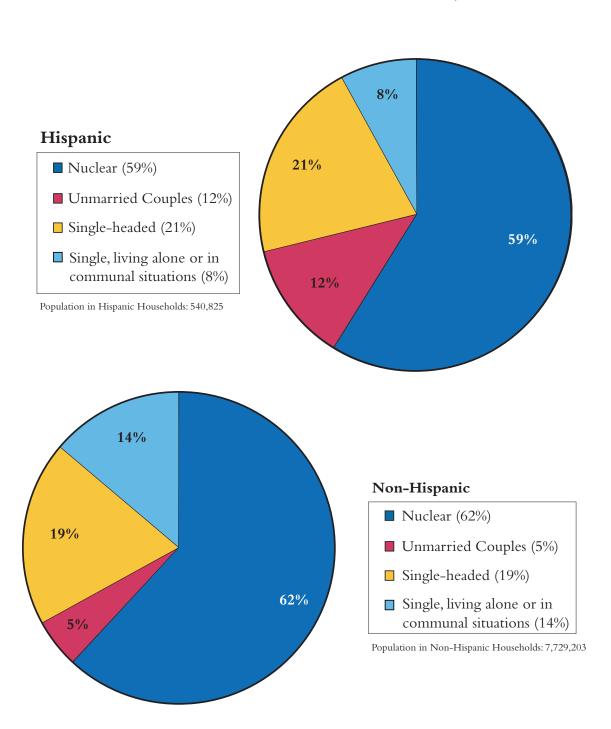
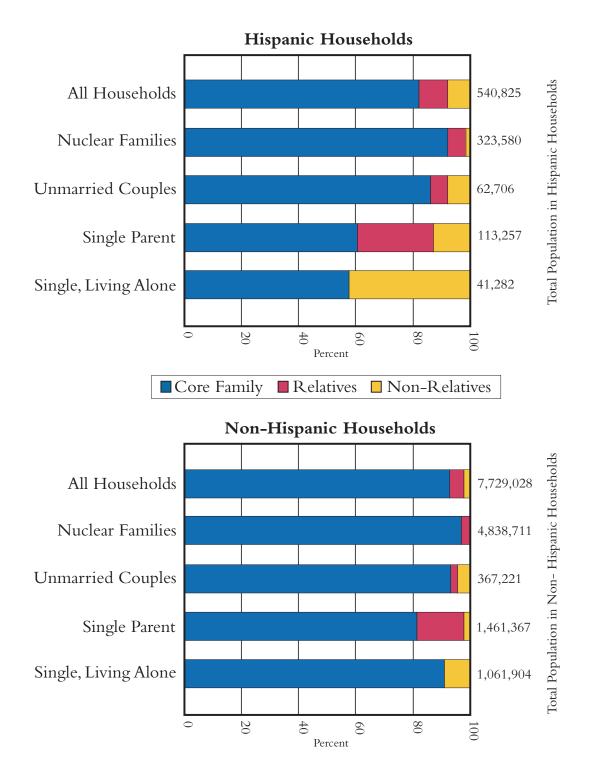


Figure 8 HISPANIC AND NON-HISPANIC HOUSEHOLD TYPES, 2004

Source: U.S. Census Bureau, ACS, 2004





Source: U.S. Census Bureau, ACS, 2004

the past twenty years, Hispanic enrollment has increased by 2,614 percent (from 3,735 in 1985-86 to 101,380 in 2004-05), while overall enrollment grew by only 24 percent (from 1,086,130 in 1985-86 to 1,347,177 in 2004-05).¹² Hispanic enrollment growth has been especially strong since the mid-1990s, increasing by 33,933 students between 1995 and 2000 and by 45,148 students between 2000 and 2004. Over the past four years alone, Hispanic enrollment has accounted for 57 percent of total enrollment growth in the N.C. public school system (Table 7).

Geographically, over half of the state's Hispanic students are concentrated in twenty counties. As Figure 10 shows, seven are metropolitan counties located along the I-40/I-85 corridor: Mecklenburg (12.2 percent), Wake (9.3 percent), Forsyth (5.9 percent), Durham

Table 6NORTH CAROLINA BIRTHS BY RACE/ETHNICITY, 1990 AND 2003

1990	2003	Percent Change
104,525	118,323	13.2
69,512	70,473	1.4
30,726	26,983	-11.6
1,516	1,652	9.0
1,052	3,135	198.0
1,754	16,080	816.8
	104,525 69,512 30,726 1,516 1,052	104,525 118,323 69,512 70,473 30,726 26,983 1,516 1,652 1,052 3,135

Source: U.S. Centers for Disease Control and Prevention, National Vital Statistics Reports, Vol. 52, No. 19, May 10, 2004; Vol. 54, No. 2, September 8, 2005.

Table 7NET CHANGE IN TOTAL AND HISPANIC ENROLLMENTIN NORTH CAROLINA PUBLIC SCHOOLS, 1985-2004

Years*	Total Enrollment Change	Hispanic Enrollment Change	Hispanic Share of Enrollment Change
1985-90	-3,558	4,795	
1990-95	90,378	13,769	15.2
1995-00	95,472	33,933	35.6
2000-04	78,755	45,148	57.3

* As of September of each school year.

Source: North Carolina Department of Public Instruction, 2005

¹² Table B1 provides a history of North Carolina public school enrollment by race/ethnicity between school years 1985-86 and 2004-2005.

(3.6 percent), Cabarrus (2.6 percent), Union (2.6 percent), and Chatham (1.4 percent). The greatest absolute growth in Hispanic enrollment has occurred in these counties.¹³ The rest are non-metropolitan counties where specialty industries are magnets for Hispanic population growth. Hispanic students account for over 15 percent of total school enrollment in four of these counties: Duplin (23.2 percent), Montgomery (20.8 percent), Lee (20.5 percent), and Sampson (19.2 percent).¹⁴

What impact do Hispanics have on North Carolina's workforce?

Between 1995 and 2005, North Carolina added 687,579 workers, a 22.1 percent increase, to its labor force. During this same period, North Carolina's Hispanic workforce expanded by 241,602, a 431 percent increase. Hispanics thus accounted for 35.1 percent of the state's overall workforce increase between 1995 and 2005. North Carolina's construction industry absorbed the largest increase of Hispanic workers (111,630), followed by retail and wholesale trade (26,769). Hispanics today account for nearly a third of all construction workers in the state.

Hispanic workers grew across virtually all North Carolina industries, even those hardest hit by increased global competition during the past decade. For example, while North Carolina's manufacturers shed 327,470 workers between 1995 and 2005, the number of Hispanics employed by North Carolina manufacturing firms actually expanded by 14,786.

In 2005, nearly three-fourths of all Hispanics in North Carolina were employed in four industries: construction (42.2 percent), wholesale and retail trade (11.5 percent), manufacturing (10.7 percent), and agriculture, forestry, fishing and hunting (9.2 percent). While education and health services is the top employment sector in North Carolina (20 percent of the workforce), it employs only 4.4 percent of the state's Hispanics (Figure 11).

Within North Carolina industries, Hispanics are concentrated mainly in blue-collar occupations in the construction trades, agriculture, trucking, and janitorial and maid services. There is a gender division of labor within the Hispanic workforce, though. Hispanic males

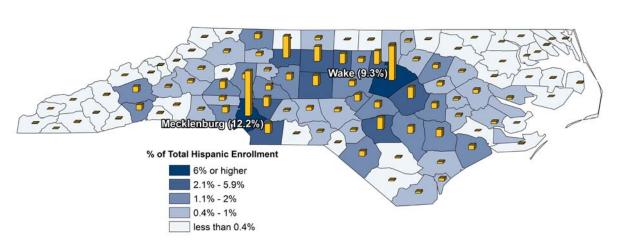


Figure 10 HISPANIC SCHOOL ENROLLMENT BY COUNTY 2004-2005

Source: North Carolina Department of Public Instruction, 2005

¹³ Table B2 identifies North Carolina school systems with largest hispanic enrollments, 1999-2004.

¹⁴ Table B3 lists the top 20 counties in North Carolina with the highest percentage of Hispanic students, 2004-2005.

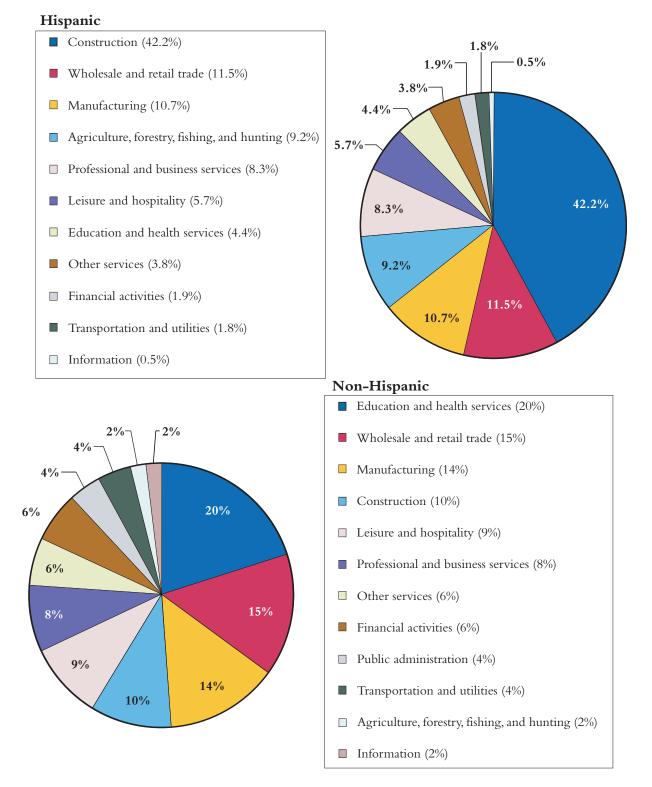


Figure 11 NORTH CAROLINA WORKERS BY INDUSTRY, 2005

Source: U.S. Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement, 2005

are concentrated in construction occupations as laborers, painters, roofers, carpenters, brick masons, and stone masons. Hispanic females are concentrated in maid and janitorial services, food processing, retail sales, dry cleaning, and secretarial support occupations (Table 8).

Nevertheless, Hispanics are beginning to make significant headway into white-collar occupations. Between 1995 and 2005, Hispanics added almost as many North Carolina workers in office and administrative support occupations (15,164) as in farming, fishing, and forestry (20,102). Hispanics employed in management, business, and financial occupations increased by 8,908 during the past ten years, while those employed in professional and related occupations increased by 8,073. Hispanics have thus become interwoven into the overall economic fabric of North Carolina and are critical to a number of the state's most important sectors.

Some Hispanics are using self-employment as a path to upward mobility and integration into the N.C. economy (Figure 12). This should not be surprising given the general

Table 8
TOP 10 OCCUPATIONS FOR NORTH CAROLINA HISPANICS BY GENDER, 2005

MALE HISPANICS					
Rank	Occupation	Number of Workers			
1	Construction laborers	51,931			
2	Painters, construction and maintenance	21,400			
3	Miscellaneous agricultural workers	15,998			
4	Roofers	13,900			
5	Carpenters	13,120			
6	Industrial truck and tractor operators	13,112			
7	Brick masons, block masons, and stonemasons	9,816			
8	Retail salespersons	6,203			
9	Janitors and building cleaners	5,853			
10	Food preparation workers	5,627			

FEMALE HISPANICS

Rank	Occupation	Number of Workers
1	Maids and household cleaners	7,986
2	Janitors and building cleaners	4,825
3	Butchers and other meat, poultry, and fish processing workers	4,748
4	Cashiers	4,112
5	Retail salespersons	3,800
6	Pressers, textile, garment and related materials	3,206
7	Packers and packagers, hand	3,084
8	Secretaries and administrative assistants	2,697
9	Cooks	2,424
10	Miscellaneous agricultural workers	2,413

Source: U.S. Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement, 2005

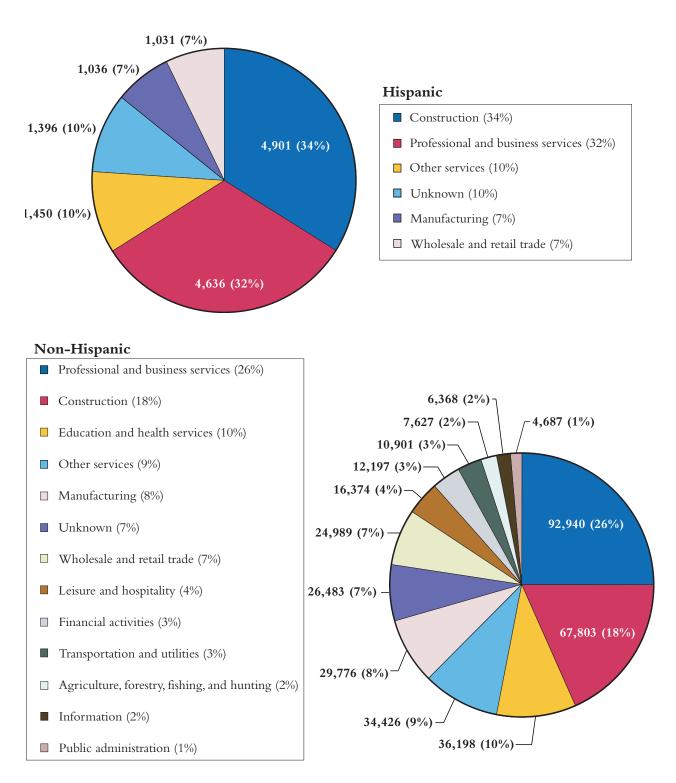


Figure 12 NORTH CAROLINA SELF-EMPLOYED WORKERS BY INDUSTRY, 2005

Source: U.S. Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement, 2005

tendency for immigrants to be more entrepreneurial than native-born populations. Although the absolute numbers are much smaller, the percent increase in self-employment was much greater among North Carolina's Hispanics (426 percent) than non-Hispanics (9.8 percent) between 1995 and 2005. More than three-fourths (76 percent) of the Hispanic self-employment growth was concentrated in the professional and business services (+4,636) and construction (+4,284) industries.¹⁵

Our focus group interview with a small group of Hispanic business owners identified a number of constraints to Hispanic self-employment and small-business ownership in North Carolina. The interview, which is discussed in more detail below, suggests that the rates of Hispanic selfemployment and small-business ownership could increase more rapidly in the future if creative ways to overcome the constraints are devised.

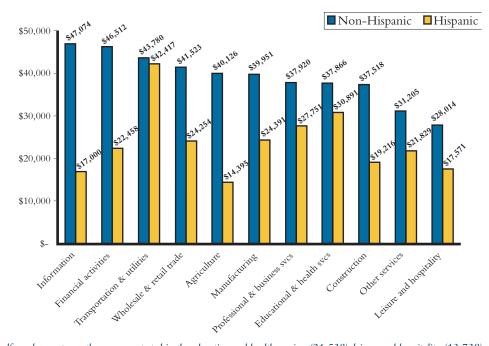
How do Hispanics fit into North Carolina's socio-economic profile?

Despite recent inroads into white collar occupations, Hispanics are not nearly as well educated as non-Hispanics (median of 7.5 versus 12.0 years of school completed). Over half of the state's Hispanic population has completed less than 8 years of schooling (Table 5).

In part as a function of low education levels, Hispanic households earn about \$32,000 annually, or about \$8,649 per capita, while non-Hispanic households earn about \$45,700 annually, or \$15,480 per capita.¹⁶ These income disparities exist in every industry sector (Figure 13).

Owing to these disparities in household and per capita income, poverty rates are much higher among Hispanics (26.3 percent) than non-Hispanics (14.5 percent) in North Carolina (Table 5). As a consequence, Hispanics make up a large proportion of the state's working poor.¹⁷

Figure 13 AVERAGE PERSONAL WAGE AND SALARY EARNINGS OF FULL-TIME WORKERS (35 HRS./WK+) BY ETHNICITY AND INDUSTRY IN NORTH CAROLINA, 2004



Source: U.S. Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement, 2005

- ¹⁵ Non-Hispanic self-employment growth was concentrated in the education and health services (21,538), leisure and hospitality (13,738), and other service industries (23,190).
- ¹⁶ For Hispanics, as Table 5 shows, median household income ranges from \$15,000 (singles, living alone) to \$37,000 (nuclear families). For non-Hispanics, median household income ranges from \$22,600 (singles, living alone) to \$59,000 (nuclear families).
- ¹⁷ Johnson, J. H., Jr. (2003). "The Changing Face of Poverty in North Carolina, 1970-2001." <u>Popular Government</u> 68(3): 14-24.

ECONOMIC IMPACT

Given the demographic, geographic, and workforce characteristics of the state's Hispanic population, we turn now to the economic impact of Hispanics on North Carolina. In particular, we will address four key issues:

- The impact of Hispanic consumer spending on the state and its communities.
- The net balance of the Hispanic population's contributions and costs on the state budget.
- The effect of Hispanic workers on the total economic output and competitiveness of the state.
- The potential business opportunities North Carolina's expanding Hispanic presence provides.

How do we assess economic impact?

Figure 14 depicts our conceptual framework for assessing the overall economic impact of Hispanics on North Carolina. On the contributions side, we focus largely on those that accrue to the state from:

- Consumer Spending. This is the total Hispanic after-tax personal income available for local spending on goods and services. Such spending has both direct and indirect effects on North Carolina business revenues and employment. Hispanic purchases also contribute to a host of state and local taxes including, among others, sales tax, highway-use tax, motor fuel tax, alcohol tax, and cigarette tax.
- · Payroll and Property Taxes. Hispanics directly contribute

to North Carolina's revenue base through taxes on their earnings and property.¹⁸

 Industry Competitiveness. Hispanic workers benefit North Carolina industries by augmenting the labor supply and economic output at competitive wages and salaries.

On the cost side, we estimate the financial impact of Hispanics on three major public costs that are typically considered in immigrant impact studies: K-12 education, health-service delivery, and corrections.

What methods and data did we use to estimate Hispanic economic impact?

For much of our analysis, we utilized an input-output model known as IMPLAN. This model is based on interindustry purchasing patterns, consumption patterns, and local production, retail, and service availability. IMPLAN traces consumer spending through over 500 sectors of North Carolina's economy to generate a variety of economic impacts at the state, metropolitan area, and county levels.¹⁹

Buying power data for N.C. Hispanic residents were the primary inputs to the IMPLAN model.²⁰ Generally, such income is spent locally. However, North Carolina's Hispanics, especially more recent immigrants, typically remit substantial portions of their income back to their

¹⁸ The state and its localities also receive revenues from flow-backs of portions of federal income taxes paid by Hispanics, but these are not considered in our technical analysis.

¹⁹ The IMPLAN model is broadly used in economic impact analyses. It uses data provided by the U.S. Bureau of Economic Analysis, the Bureau of Labor Statistics, and other state and federal agencies. The model generates, among other results, the number of jobs, labor income, and taxes created by a specified input. It also generates economic output, roughly equated to business revenue, resulting from a group's direct, indirect, and induced economic impacts. The IMPLAN software can combine any number of counties into one study area. Computations were done by the Kenan Institute's Carolina Center for Competitive Economies.

²⁰ Humphreys, J. M. (2004). African American, Asian, Hispanic, and Native American Buying Power in North Carolina: Estimates for 1990-2004 & Projections through 2009. Durham, NC, North Carolina Institute of Minority Economic Development: 1-176.

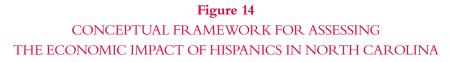
country of origin. Based on recent research on Hispanic immigrants in North Carolina and other states,²¹ we deflated Hispanic buying power by 20 percent before beginning our analysis. This reduction takes into account not only remittances, but also savings and interest payments that also reduce local spending.²²

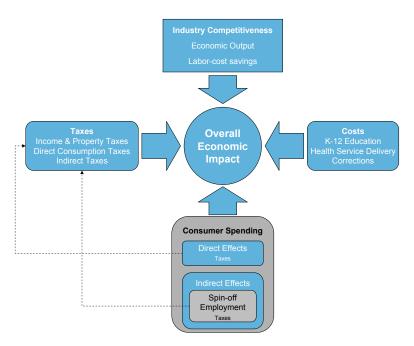
Methods and data used to estimate Hispanic tax contributions, labor output, and wage savings to North

Carolina's industries, as well as Hispanic public costs, will be described separately.

What is the estimated impact of Hispanic spending on the State?

North Carolina's Hispanics had an estimated \$8.35 billion in buying power (after tax income) in 2004. Even after discounting their buying power by 20 percent to





- ²¹ De Vasconcelos, P. (2004). Sending Money Home: Remittances to Latin America from the United States. Washington, DC, Inter-American Development Bank.; Suro, R., R. Fry, et al. (2005). Hispanics: A People in Motion. Washington, D.C., The Pew Hispanic Center: 1-20; Woodward, Douglas P. (2005). The Economic and Business Impact of Hispanics (Latinos). University of South Carolina. http://www.sph.sc.edu/cli/papers.htm.
- ²² We further reduced the buying power and economic impact estimates by 5.6 percent to account for the fact that our estimate of the state's Hispanic population in 2004 was 5.6 percent less than that used by our data source for buying power.

Table 9

ECONOMIC IMPACT OF HISPANIC SPENDING ON NORTH CAROLINA, 1990-2004

Dollar numbers are in thousands

	1990	2000	2004
Total economic impact	\$928,144	\$5,290,094	\$9,188,380
Spin-off employment	9,000	51,500	89,600
Spin-off labor income	\$243,921	\$1,390,263	\$2,414,752
Spin-off state taxes	\$45,96 0	\$261,953	\$454,987
Spin-off federal taxes	\$66,793	\$380,696	\$661,231

Source: Kenan Institute of Private Enterprise, 2005

Table 10

METROPOLITAN AREA ECONOMIC IMPACT OF HISPANIC SPENDING, 2004

Dollar numbers are in thousands

Metropolitan Area	Buying Power	Economic Impact (Total Business Revenues)	Spin-off Jobs	Spin-off Labor Income	Spin-off State Taxes
Asheville	\$214,564	\$219,367	2,300	\$54,866	\$10,095
Burlington	\$212,198	\$208,142	2,000	\$47,985	\$9,231
Charlotte	\$1,887,765	\$1,978,409	16,900	\$501,493	\$92,664
Durham	\$758,266	\$780,321	7,300	\$194,556	\$35,400
Fayetteville	\$385,418	\$369,182	3,200	\$72,122	\$15,099
Goldsboro	\$74,944	\$71,891	700	\$14,517	\$2,991
Greensboro	\$587,592	\$631,510	6,200	\$167,687	\$29,038
Greenville	\$88,101	\$84,235	800	\$17,191	\$3,542
Hickory	\$316,135	\$307,237	2,800	\$69,17 0	\$12,789
Jacksonville	\$163,344	\$148,251	1,100	\$22,477	\$4,978
Raleigh	\$1,179,932	\$1,196,144	10,100	\$281,373	\$57,775
Rocky Mount	\$75,871	\$72,857	700	\$15,116	\$2,895
Wilmington	\$119,295	\$119,253	1,100	\$26,079	\$5,675
Winston-Salem	\$572,760	\$583,33 0	5,600	\$148,746	\$23,390

Source: Kenan Institute of Private Enterprise, 2005

account for remittances, savings, and interest payments, Hispanic purchases rippled through the state's economy, creating an overall economic impact in 2004 of \$9.19 billion.

The indirect effects of Hispanic spending in North Carolina include 89,600 spin-off jobs and \$2.4 billion in additional labor income in 2004. Hispanic spending also was responsible for \$455 million in additional state tax receipts and \$661 million in federal taxes, of which some of the latter eventually flows back to the state. As Table 9 shows, these contributions have increased considerably since 2000, and monumentally since 1990.

How does Hispanic spending impact our metropolitan economies?

In 2004, 71.3 percent of the economic impact of North Carolina's Hispanics was concentrated in the state's metropolitan areas. Hispanic spending had the greatest direct and indirect economic impacts on five metropolitan areas along the I-40/I-85 corridor: Charlotte, Raleigh, Durham, Greensboro, and Winston-Salem (Table 10).

For example, in addition to generating \$2 billion in business revenues and 16,900 spin-off jobs, Hispanic spending in the Charlotte metropolitan area catalyzed over half a billion dollars in spin-off labor income for area workers and nearly \$93 million in additional state tax receipts. Hispanics residing in the combined Raleigh and Durham metropolitan areas generated nearly the same business revenues, spin-off jobs, labor income, and additional state tax receipts.

The economic effects of the rise in Hispanic spending since 1990 on North Carolina's metropolitan statistical areas (MSAs) are shown in Appendix Tables B4 through B8. These tables represent the direct and indirect effects of Hispanic spending on the state's metropolitan areas in 1990, 2000, and 2004, including spin-off employment, labor income, and state and federal taxes.

What is the pattern of impacts of Hispanic spending on individual counties?

Paralleling Hispanic population concentration along the I-40/I-85 corridor, Table 11 shows that the top five counties in terms of Hispanic buying power and economic impact in 2004 were Mecklenburg, Wake, Durham, Forsyth, and Guilford. Together, these five counties accounted for 43.7 percent of the total buying power and 40.8 percent of the total economic impact of the state's Hispanics.

These same counties account for over half of the \$6.6 billion in economic impact that is concentrated in metropolitan counties (Figure 15). Hispanic residents of Mecklenburg County, for instance, had a local economic

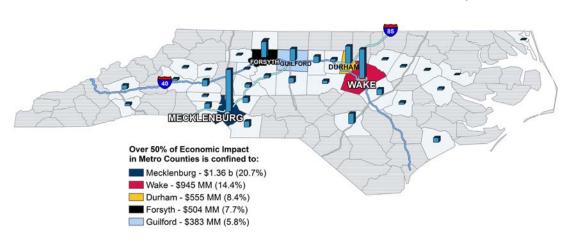


Figure 15 ECONOMIC IMPACT OF HISPANICS IN METRO COUNTIES, 2004

Source: Kenan Institute of Private Enterprise, 2005

Table 11

HISPANIC BUYING POWER AND ECONOMIC IMPACT BY COUNTY, 2004

Dollar numbers are in thousands

County	Buying Power	Economic Impact	County	Buying Power	Economic Impact
Alamance	\$212,198	\$208,142	Johnston	\$207,092	\$188,714
Alexander	\$15,232	\$13,091	Jones	\$4,504	\$3,810
Alleghany	\$8,676	\$7,565	Lee	\$115,107	\$110,207
Anson	\$2,866	\$2,433	Lenoir	\$28,012	\$26,203
Ashe	\$9,634	\$8,600	Lincoln	\$55,120	\$48,759
Avery	\$6,902	\$6,305	Macon	\$6,784	\$6,437
Beaufort	\$29,910	\$28,004	Madison	\$5,653	\$4,797
Bertie	\$4,059	\$3,391	Martin	\$8,100	\$7,163
Bladen	\$27,457	\$23,215	McDowell	\$22,278	\$19,908
Brunswick	\$31,935	\$28,945	Mecklenburg	\$1,322,852	\$1,358,622
Buncombe	\$122,052	\$127,328	Mitchell	\$6,044	\$5,375
Burke	\$60,427	\$55,643	Montgomery	\$32,255	\$28,358
Cabarrus	\$182,205	\$169,009	Moore	\$55,860	\$54,249
Caldwell	\$41,944	\$37,895	Nash	\$46,039	\$43,169
Camden	\$1,532	\$1,292	New Hanover	\$69,417	\$69,724
Carteret	\$17,782	\$16,661	Northampton	\$7,230	\$6,054
Caswell	\$6,010	\$5,022	Onslow	\$163,344	\$148,251
Catawba	\$198,532	\$196,334	Orange	\$96,417	\$89,977
Chatham	\$110,847	\$97,735	Pamlico	\$1,859	\$1,601
Cherokee	\$4,493	\$4,078	Pasquotank	\$6,094	\$5,740
Chowan	\$2,814	\$2,590	Pender	\$17,944	\$15,949
Clay	\$796	\$689	Perquimans	\$2,022	\$1,735
Cleveland	\$18,178	\$17,165	Person	\$10,350	\$9,250
Columbus	\$18,047	\$15,960	Pitt	\$62,654	\$60,327
Craven	\$52,864	\$50,046	Polk	\$7,048	\$6,346
Cumberland	\$347,773	\$333,462	Randolph	\$194,090	\$175,253
Currituck	\$3,186	\$2,738	Richmond	\$27,069	\$24,404
Dare	\$11,049	\$10,354	Robeson	\$120,831	\$113,068
Davidson	\$96,652	\$89,128	Rockingham	\$37,410	\$34,475
Davie	\$33,108	\$29,542	Rowan	\$111,147	\$102,492
Duplin	\$130,309	\$113,073	Rutherford	\$21,611	\$20,126
Durham	\$540,652	\$555,194	Sampson	\$109,757	\$96,320
Edgecombe	\$29,832	\$27,620	Scotland	\$8,406	\$7,715
Forsyth	\$493,823	\$504,418	Stanly	\$24,158	\$21,949
Franklin	\$40,467	\$35,252	Stokes	\$12,175	\$10,656
Gaston	\$163,637	\$162,605	Surry	\$78,250	\$72,355
Gates	\$511	\$424	Swain	\$1,870	\$1,630
Graham	\$758	\$642	Transylvania	\$3,127	\$2,879
Granville	\$26,540	\$22,796	Tyrrell	\$1,968	\$1,635
Greene	\$25,448	\$21,370	Union	\$216,205	\$196,135
Guilford	\$356,092	\$382,564	Vance	\$29,689	\$27,624
Halifax	\$7,822	\$6,915	Wake	\$932,373	\$945,480
Harnett	\$79,931	\$71,517	Warren	\$3,324	\$2,816
Haywood	\$8,555	\$7,845	Washington	\$5,149	\$4,464
Henderson	\$78,302	\$73,607	Watauga	\$10,208	\$10,095
Hertford	\$6,674	\$6,187	Watauga Wayne	\$74,944	\$71,891
Hoke	\$37,644	\$31,979	Wilkes	\$42,311	\$37,667
Hyde	\$2,296	\$1,965	Wilson	\$85,424	\$79,730
Iredell	\$76,313	\$74,130	Yadkin	\$33,653	\$79,730 \$29,690
Jackson	\$10,842	\$10,046	Yancey	\$7,509	\$6,438
Jackson	φ10,0 1 2	\$10,0T0	Tancey	\$7,309	\$0,430

Source: Kenan Institute of Private Enterprise, 2005

impact that exceeded \$1.3 billion in 2004. Wake County Hispanics had an economic impact of almost \$950 million, while in Durham and in Forsyth Counties the Hispanic impact exceeded \$500 million, and in Guilford County over \$380 million.

The economic impact of Hispanic spending in North Carolina's non-metropolitan counties collectively was \$1.6 billion in 2004—just above that of Hispanics in Mecklenburg County alone. Figure 16 shows that over 40 percent of the non-metro Hispanic impact is concentrated in seven counties: Duplin, Robeson, Lee, Sampson, Wilson, Iredell, and Surry. Most of these counties host specialty industries that employ large numbers of Hispanics.

What are the major public costs of Hispanics to North Carolina?

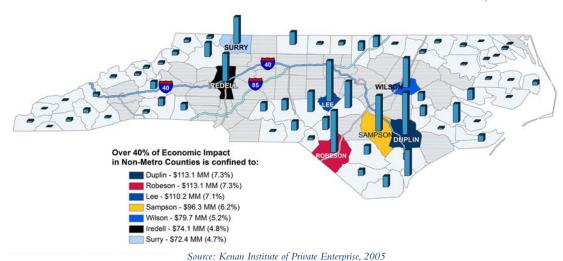
In estimating the costs to the state of the Hispanic population, we focused on three of the major and most often discussed public sectors in immigrant studies: K-12 public education, health services delivery, and corrections. There are no doubt other significant costs, but these three are generally agreed to be the primary ways to measure the impact of an immigrant group on state budgets.

After subtracting Federal transfers, North Carolina

spent \$10.1 billion on education in 2004. Approximately 61 percent of this amount was spent on K-12 education. For our K-12 educational cost estimates, we assumed that the percentage of expenditures attributable to Hispanics was proportional to their representation in the student population (7.5 percent). This amount in 2004 was estimated to be \$466,847,000.²³

To calculate net healthcare delivery costs to the state, we used our estimate of the state's Hispanic population, the Medical Expenditure Panel Survey (MEPS) health service expenditure data, and the Centers for Medicare and Medicaid Services (CMMS) information on costs and sources of payments by race/ethnicity. These data show that Hispanics have a high dependence on public funding for their healthcare services, but they use such services less frequently than most other major racial/ethnic groups and, when they do, incur relatively lower costs. This may reflect their younger age distribution and, despite their low average income, a propensity to self-pay at least a portion of their costs. Our estimate of the net cost (after payments) to the state for health services to Hispanics in 2004 is \$298,988,000.

For our estimate of costs to the state correctional system, we began with the total expenditures in the state budget. The Department of Corrections supplied the data





²³ We note that the large majority of Hispanic schoolchildren are citizens of the United States, even if their parents are not.

on the total number of individuals in the system, whether in prison, on parole, or on probation, and the number of Hispanics as well. We then calculated the percentage of expenditures on Hispanics based on their percentage in the prison, parole, and probation populations in the state. That percentage is 5.2 percent, less than their share of North Carolina's total population (7.0 percent). The resulting estimated cost of Hispanics in 2004 to North Carolina's corrections system is \$50,724,000.

What are the direct and indirect Hispanic tax contributions to the state?

We considered three different categories of taxes accruing to the state government as a result of Hispanics'

1

presence in North Carolina in 2004. These are shown in Table 12.

The taxes on income and property are not considered disposable income and thus do not enter into the accounting of Hispanic buying power discussed above. State payroll tax contributions of the Hispanic population were calculated by computing the tax owed by the average Hispanic household, multiplying that amount by the estimated number of Hispanic households, and then adjusting that figure by a tax compliance rate of 65 percent.²⁴ The total annual amount of personal income tax paid by North Carolina Hispanics is estimated to be \$145,082,000.

An estimate of business tax owed by Hispanic-

	Direct Contributions	Indirect C from Business	ontributions from Persons	Total Contributions
Personal income tax	\$145,082		\$67,802	\$212,884
Property tax	\$62,772	\$115,483	\$769	\$179,024
Small-business tax	\$85,920	\$17,225		\$103,145
Direct subtotal	\$293,774			
Other taxes	\$2,294	\$33,545	\$2,294	\$38,133
Highway tax	\$9,176	\$3,914	\$3,914	\$17,004
Sales and use tax	\$102,592	\$51,369	\$51,369	\$205,330
Direct subtotal	\$114,062			
Total	\$407,836	\$221,536	\$126,148	\$755,520

Table 12	
NORTH CAROLINA STATE TAX IMPACT ESTIMATES, 2004	1

Dollar numbers are in thousands

Source: Kenan Institute of Private Enterprise, 2005

²⁴ In reviewing previous reports on taxes paid by undocumented Hispanics (see Clark, R. L., J. Passel, et al. (1994). Fiscal Impact of Undocumented Aliens: Selected Estimates for Seven States. Washington, D.C., The Urban Institute: 1-200), most authors assumed a compliance rate of 55 to 60 percent, with the remainder being paid under the table. Our discussions with North Carolina Hispanics indicate that more workers are obtaining social security numbers and/or tax identification numbers, legally or illegally, to obtain jobs on the payroll. These workers are paying taxes, which leads us to assume a higher compliance rate. owned small businesses in the state was calculated from information on the number of businesses, their average earnings, and the effective tax rate. The total annual amount of small-business tax paid by North Carolina Hispanics is estimated to be \$85,920,000.

Separate property tax calculations were estimated for Hispanic homeowners and renters. In both cases, estimates of the average tax owed were calculated using information about home value and rent paid, average effective North Carolina tax rates, and the number of households in each tenure category. A similar procedure was used to calculate non-real estate property tax. The total annual amount of property tax paid by North Carolina Hispanics is estimated to be \$62,772,000. The three sub-categories (personal income, small business income, and personal property taxes) total to \$293,774,000.

Hispanics also pay taxes on their consumer spending. These were calculated by using information on Hispanic household spending patterns derived from national data and multiplying average spending by North Carolina's tax rates, with the two major categories being the state sales tax and the motor vehicle use tax. Together these total an estimated \$114,062,000 paid by North Carolina's Hispanics in 2004. The final and largest tax contribution category includes all state and local taxes generated as an indirect result of Hispanic consumer spending. These include the estimated \$221,536,000 additional income and property taxes paid by businesses as a result of their operation, and the estimated \$126,148,000 additional income, property, and consumer taxes paid by their employees. Calculated using the input-output model described above, these total an estimated \$347,684,000.

Collectively, Hispanic residents were responsible for an estimated \$293,774,000 in personal current taxes, \$114,062,000 in sales and other consumption taxes, and \$347,684,000 in taxes on the increased business and earning resulting from Hispanic spending. This totals \$755,520,000 in North Carolina state and local taxes paid by N.C. Hispanics in 2004.

What is the net benefit or cost of Hispanics on the state budget?

Determining the net cost or benefit of Hispanics to the state budget is a multifaceted and complex effort. It also is fraught with potential oversights and sometimes questionable assumptions. Studies conducted elsewhere

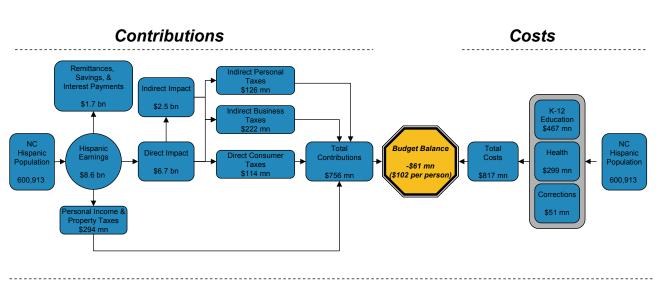


Figure 17 FRAMEWORK FOR ASSESSING THE HISPANIC IMPACT ON THE STATE BUDGET

Source: Kenan Institute of Private Enterprise, 2005

of net public costs or benefits of Hispanics on states have often resulted in conflicting analyses, depending on the assumptions and models used.

Given these strong caveats, we developed a series of reasonable estimates of the primary direct and indirect contributions and costs of North Carolina's Hispanics to state and local budgets in 2004.

Our model is illustrated in Figure 17. We begin, on the left side of the figure, with the state's Hispanic population as tax contributors. Hispanic earnings are reduced by remittances, which leave the state's economy, and by taxes on income and property (sometimes termed personal current taxes or statutory taxes), which go directly into state and local coffers. Hispanic spending generates direct and indirect business revenue and employment, which generates three types of taxes: direct sales taxes, indirect business taxes, and indirect personal taxes. Altogether, as noted above, these totaled to an estimated \$755,520,000.

On the right side of the figure, we consider the state's Hispanic population as consumers of state services. As noted above, North Carolina's Hispanic population is responsible for an estimated \$816,559,000 in state public costs for K-12 education, health service delivery, and corrections.

The difference in 2004 between Hispanics' estimated major tax contributions of \$755,520,000 and their estimated major public costs of \$816,559,000 results in a net cost to the state of \$61,039,000, or approximately \$102 per Hispanic resident.

How important are Hispanics to North Carolina economic output?

Hispanics comprise 7 percent of North Carolina's overall workforce and considerably more in certain key sectors. This labor has allowed the state's economic output to expand. In its absence, a substantial portion of North Carolina's economic vitality would likely disappear. Determining the net effects of a withdrawal of Hispanic immigrant workers on North Carolina industries is virtually impossible. For illustration purposes, however, we looked at North Carolina's construction industry. Throughout North Carolina, this industry has become heavily dependent upon Hispanic workers, with Hispanics making up 29 percent of the state's construction workforce.

Ignoring labor substitution effects, construction work could be cut by up to 29 percent if Hispanic workers were withdrawn. The hypothetical impact in 2004 would have been the loss of up to \$10 billion in value of construction done in the state, including: a revenue loss of up to \$2.7 billion for companies supplying construction materials and supplies; a loss of up to \$149 million in revenue for companies renting buildings, machinery and equipment; and up to 27,000 houses not being built.

A withdrawal of Hispanic construction workers would also mean up to a 29 percent reduction in non-building construction, including the installation of guardrails and signs, bridge construction, paving, and water and sewer construction. Even if the net effect were a fraction of the above upper-limit estimates—which, again, do not take labor substitution effects into account—there would be a dramatic impact on North Carolina's construction sector (and other sectors, such as banking, through ripple effects) if Hispanics were to substantially withdraw from the state's workforce.

Another way to look at the impact of Hispanic workers on North Carolina's industries is in terms of wage savings, costs to consumers, and overall competitiveness of the industries. Hispanics have added substantially to North Carolina's supply of cost-effective labor. This has resulted in an estimated statewide wage savings of almost \$1.9 billion (1.4 percent of the total wage bill).²⁵ The benefits are enjoyed by every county and by virtually all industries that export from the state and by many firms that serve local needs. In many cases, labor-cost savings are passed on to local consumers.

²⁵ Using data from the March 2005 Current Population Survey, the total wage bill for the state was estimated by multiplying the number of Hispanics and non-Hispanics with low levels of education (less than a high-school diploma) and high levels of education (a high-school diploma or higher) in each industry by their respective average hourly wage rates and mean number of hours worked over the previous year. The calculation was then repeated using the average non-Hispanic hourly wage for each industry-education category to estimate what the total wage bill would be without the immigrant wage advantage. Capital substitution and labor shortage effects were not taken into account.

The Hispanic wage advantage is concentrated in two industries, agriculture and construction, where Hispanics comprise 31 and 29 percent of the labor force, resulting in savings of \$147 million (6.6 percent) and \$980 million (7.4 percent), respectively. Hispanics thus benefit the state by making an important rural export industry (agriculture) more competitive and by substantially reducing costs in an industry that fuels metropolitan area growth (construction).

On the other hand, it has been shown that Hispanic immigrants often depress wage levels of non-Hispanics, especially in lower-wage, labor-intensive sectors. Given the downward pressure less-educated Hispanics place on wages in these sectors, not everyone in North Carolina benefits from the influx of Hispanic workers.

What local business opportunities exist to serve Hispanics?

In a substantial number of non-metropolitan counties, and even some metropolitan counties, the buying power of Hispanic residents exceeds their economic impact. At least two factors account for this. First, we estimated that remittances, savings and interest payments reduce local Hispanic buying power by 20 percent. Second, insufficient retail and service facilities limit Hispanic (and other group) expenditures in these counties. The result is that Hispanic spending and its impact takes place outside these counties, often in a larger metropolitan area. This is commonly termed leakage.

The fact that the retail, services, and employment structure of the county, which our input-output models take into account, does not meet local Hispanic buying power needs may provide an opportunity for appropriate businesses to fill that space profitably. We therefore developed a methodology to estimate both the absolute and relative size of the Hispanic business revenues leaked to other areas.²⁶ The business revenue leakage estimates for North Carolina counties are shown in Table 13.

Counties with the largest Hispanic buying power tend to have the largest absolute amount of Hispanic impact leakage. But, many smaller North Carolina counties have large absolute leakages (e.g., Duplin, Sampson, and

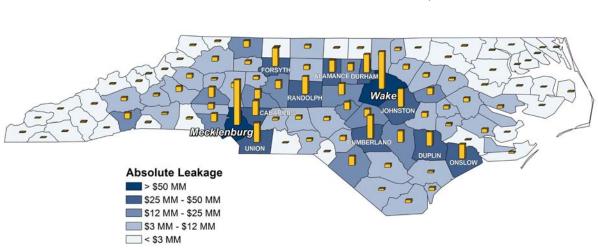


Figure 18 BUSINESS REVENUE LEAKAGE BY COUNTY, 2004

Source: Kenan Institute of Private Enterprise, 2005

²⁶ This methodology began by computing a net impact ratio for the state as a whole. This is a simple ratio of estimated state Hispanic buying power to calculated Hispanic total state economic impact. The ratio was 1.101 in 2004 (including the 20 percent buying power reduction for remittances, etc.). We then multiplied the buying power of each county by this ratio to simulate what the Hispanic economic impact on the county would be if it followed Hispanic state buying power multipliers. The difference between the potential impact and the IMPLAN software calculated economic impact is the estimated total economic impact (business revenues) leakage.

Table 13

ESTIMATED HISPANIC BUSINESS REVENUE LEAKAGE BY COUNTY, 2004

Dollar numbers are in thousands

County	Absolute Leakage	Percent Leakage	County	Absolute Leakage	Percent Leakage
Alamance	\$25,408	12.2%	Johnston	\$39,217	20.8%
Alexander	\$3,674	28.1%	Jones	\$1,148	30.1%
Alleghany	\$1,984	26.2%	Lee	\$16,482	15.0%
Anson	\$722	29.7%	Lenoir	\$4,628	17.7%
Ashe	\$2,003	23.3%	Lincoln	\$11,907	24.4%
Avery	\$1,291	20.5%	Macon	\$1,030	16.0%
Beaufort	\$4,916	17.6%	Madison	\$1,426	29.7%
Bertie	\$1,076	31.7%	Martin	\$1,752	24.5%
Bladen	\$7,005	30.2%	McDowell	\$4,611	23.2%
Brunswick	\$6,204	21.4%	Mecklenburg	\$97,339	7.2%
Buncombe	\$7,005	5.5%	Mitchell	\$1,277	23.8%
Burke	\$10,865	19.5%	Montgomery	\$7,143	25.2%
Cabarrus	\$31,530	18.7%	Moore	\$7,232	13.3%
Caldwell	\$8,269	21.8%	Nash	\$7,502	17.4%
Camden	\$395	30.6%	New Hanover	\$6,678	9.6%
Carteret	\$2,910	17.5%	Northampton	\$1,903	31.4%
Caswell	\$1,593	31.7%	Onslow	\$31,529	21.3%
Catawba	\$22,175	11.3%	Orange	\$16,141	17.9%
Chatham	\$24,266	24.8%	Pamlico	\$445	27.8%
Cherokee	\$866	21.2%	Pasquotank	\$967	16.8%
Chowan	\$507	19.6%	Pender	\$3,800	23.8%
Clay	\$187	27.1%	Perquimans	\$490	28.3%
Cleveland	\$2,842	16.6%	Person	\$2,142	23.2%
Columbus	\$3,903	24.5%	Pitt	\$8,631	14.3%
Craven	\$8,138	16.3%	Polk	\$1,411	22.2%
Cumberland	\$49,305	14.8%	Randolph	\$38,367	21.9%
Currituck	\$769	28.1%	Richmond	\$5,389	22.1%
Dare	\$1,807	17.5%	Robeson	\$19,922	17.6%
Davidson	\$17,249	19.4%	Rockingham	\$6,700	19.4%
Davie	\$6,897	23.3%	Rowan	\$19,839	19.4%
Duplin	\$30,348	26.8%	Rutherford	\$3,659	18.2%
Durham	\$39,860	7.2%	Sampson	\$24,482	25.4%
Edgecombe	\$5,214	18.9%	Scotland	\$1,537	19.9%
Forsyth	\$39,095	7.8%	Stanly	\$4,640	21.1%
Franklin	\$9,286	26.3%	Stokes	\$2,744	25.8%
Gaston	\$17,498	10.8%	Surry	\$13,769	19.0%
Gates	\$138	32.6%	Swain	\$429	26.3%
Graham	\$192	30.0%	Transylvania	\$563	19.5%
Granville	\$6,415	28.1%	Tyrrell	\$530	32.4%
Greene	\$6,639	31.1%	Union	\$41,826	21.3%
Guilford	\$9,359	2.4%	Vance	\$5,053	18.3%
Halifax	\$1,694	24.5%	Wake	\$80,711	8.5%
Harnett	\$16,457	23.0%	Warren	\$842	29.9%
Haywood	\$1,571	20.0%	Washington	\$1,202	26.9%
Henderson	\$12,575	17.1%	Watauga	\$1,139	11.3%
Hertford	\$1,159	18.7%	Wayne	\$10,594	14.7%
Hoke	\$9,453	29.6%	Wilkes	\$8,901	23.6%
Hyde	\$562	28.6%	Wilson	\$14,290	17.9%
Iredell	\$9,862	13.3%	Yadkin	\$7,349	24.8%
Jackson	\$1,886	18.8%	Yancey	\$1,827	28.4%
Juciuson	ψ1,000	10.070	Taricey	ψ1,027	20,770

Robeson). The relative leakage figures show that 10 counties (Bertie, Bladen, Camden, Caswell, Gates, Graham, Greene, Jones, Northampton, and Tyrrell) are capturing only 70 percent or less of the expected economic impact (30 percent or more business-revenue leakage).

Conversely, seven counties (Buncombe, Durham, Forsyth, Guilford, Mecklenburg, New Hanover, and Wake) have less than 10 percent leakage rates. Their absolute amounts are large, though, given the scale of Hispanic purchasing power in these counties (Figure 18).

Table 14 reports aggregate totals for all individual counties, metropolitan areas, metropolitan area counties, and rural counties, and reveals a number of interesting results. First, there is 11.6 percent inter-county leakage of Hispanic spending impact for all N.C. counties. Second, collectively, metropolitan areas have relatively low leakage (7.3 percent). Third, individual metropolitan area counties have relatively less Hispanic economic impact leakage (10.3 percent) than do individual rural counties (16.9 percent).

Not all of that business revenue leakage can be

captured, but our analyses suggest a significant potential for Hispanic-targeted business development in a substantial number of N.C. counties.

How will the economic impact of North Carolina Hispanics evolve in the future?

Any assessment of the future is necessarily speculative. Extrapolating from past trends and taking into account the predictable factors that could impact the level of migration, however, we estimated the economic impacts of Hispanic spending in 2009.

It should be noted that the influx of Hispanic labor to North Carolina remained strong after 2000, despite the dramatic contraction of a number of North Carolina's traditional blue-collar industries.²⁷ North Carolina's Hispanics have also demonstrated a willingness to work in industries and occupations where many native-born workers are less inclined to seek employment because of the working conditions and/or low wages. In the absence of major changes in U.S. immigration policy and

Table 14 AGGREGATE HISPANIC BUSINESS REVENUE LEAKAGE, 2004

Dollar numbers are in thousands

	Total Hispanic Economic Impact	Potential Economic Impact	Business Revenue Leakage	Leakage Percent
All counties	\$8,120,219	\$9,188,376	\$1,068,157	11.6
All metropolitan areas	\$6,769,978	\$7,303,935	\$533,957	7.3
All metropolitan area counties	\$6,554,368	\$7,303,933	\$749,565	10.3
All rural counties	\$1,565,851	\$1,884,443	\$318,592	16.9

²⁷ For example, between January 2000 and January 2005, North Carolina textile mill jobs declined from 111,000 to 59,000, apparel from 48,000 to 28,000, and furniture manufacturing from 79,000 to 58,000.

enforcement, we expect the Hispanic labor migration to North Carolina will continue apace. Labor migration will likely be reinforced by family reunification, which will then further increase the total number of Hispanics moving to the state.

Should recent migration trends continue, the total economic impact of Hispanic spending in the state could increase to upwards of \$18 billion by 2009. As many as 175,000 spin-off jobs could be generated by this spending, contributing \$892 million to North Carolina's state and local taxes. We expect this impact to be mainly metropolitan area-based but to also diffuse to nearby rural counties.²⁸

What constraints do Hispanic businesses face in North Carolina?

The latest Census survey of minority-owned business revealed that in 2002 there were 9,047 Hispanic-owned businesses in North Carolina, which earned \$1.8 billion in sales and receipts. Some of these businesses primarily serve the Hispanic population and could play an important role in aiding localities capture the substantial cross-county consumer spending leakages.

Given the rapid expansion of the North Carolina's Hispanic market, the potential for Hispanic entrepreneurship is considerable. We found, however, that there are some barriers that need to be addressed to fully realize this potential. Kenan Institute professionals conducted focus-group sessions in July 2005 with North Carolina Hispanic business-owners to gain their assessment of the key constraints they see to starting, running, and expanding Hispanic businesses. The business-owners in our focus group came from Argentina, Colombia, Guatemala, Mexico, Peru, and Puerto Rico. They operated businesses ranging from car shops and construction firms to restaurants and supermarkets to real estate and travel agencies.

The problems identified by these Hispanic businesses-

owners are common to many would-be entrepreneurs. Those with the orientation and skills to competitively provide services or make products are not as well informed about the commercial and legal aspects of running a business as they need to be. Some issues, such as basic training in accounting or government reporting requirements, are beginning to be addressed by community colleges and by business advocacy organizations, but more needs to be done.

A related problem is that many complex legal documents are only available in the English language. This leads to difficulties for newer Hispanic arrivals in interpreting and completing them, as well as later errors in reporting. Having these documents in Spanish as well as English would be highly beneficial to many Hispanic business-people and would help encourage entrepreneurial start-ups.

A number of issues raised by Hispanic entrepreneurs echo those of other small-business owners. Even when information on business issues and government reporting requirements exists, it is sometimes difficult to access. Business advisory services are often not designed to fit the specific needs and schedules of entrepreneurs, many of whom are working fifty hours or more a week. An extended-hour "one-stop shopping" unit addressing all government reporting requirements for starting and running a business in North Carolina, for example, would be enormously beneficial.

Hispanics, as is common with most ethnic entrepreneurs, rely heavily on personal and family savings to start their businesses. Many newer arrivals, lacking an established credit history in this country, face difficulties in securing financing, especially for later stages of business development. Those difficulties also spill over into finding adequate insurance coverage. Clearly, there is an opportunity for North Carolina's financial and insurance industries to address these needs.

²⁸ The largest metropolitan area Hispanic economic impacts in 2009 are estimated to be in the Charlotte MSA, with up to \$4.2 billion in additional business revenue and 36,000 spin-off jobs, and in the Raleigh MSA, with up to \$2.4 billion in additional business revenue and 20,000 spin-off jobs.

How can business with Latin America be expanded to North Carolina's benefit?

In 2004, North Carolina exported \$4.1 billion in products and services to Latin America, compared to \$2.9 billion in 1999. The state's exports in 2004 by sector were entered into our input-output model to estimate their total economic impact on the state. Total N.C. business revenue generated by exports to Latin America was \$7,219,834,580, which supports 68,484 jobs, and results in \$230,870,155 in state and local taxes.

In contrast with North Carolina's overall exports, the state's exports to Latin America are heavily weighted towards textile product materials, which are turned into finished products by local labor. Some trade agreements with Latin America have effectively resulted in informal coalitions among North Carolina textile manufacturers and Latin American garment workers. North Carolina labor costs are no longer globally competitive in garment manufacturing. Without this out-sourcing, the existing supply chain would probably break down to the further detriment of textile employment in North Carolina. At the same time, we see an increased opportunity for attracting (in-sourcing) Latin American firms to North Carolina. Foreign direct investment (FDI) is responsible for an estimated 6.3 percent of the state's private sector employment, employing over 200,000 workers in 2004. This compares favorably to the nationwide average of employment generated by FDI, which is 5 percent.

Much of the state's FDI originates in the United Kingdom, Germany, The Netherlands, Japan, and Switzerland. Only 18 of North Carolina's one thousand plus foreign-headquartered firms hail from Latin America. Just five are headquartered in Mexico.

With the state's large and growing Spanish-speaking labor pool and rapidly expanding Hispanic consumer base, North Carolina offers some rich opportunities for Latin American firms seeking to establish or increase their presence in the United States. If appropriately courted and supported, such Latin American investors could contribute to North Carolina's sustained employment growth and prosperity.

SUMMARY

The Hispanic presence in North Carolina is now large and widespread. Hispanics live in every one of the state's 100 counties and work in all sectors of the economy. Hispanics comprise seven percent of the state's population and have been responsible for almost 30 percent of the population increase since 1995. Our estimates indicate that 55 percent of all of North Carolina's Hispanic residents and 24 percent of recent Hispanic immigrants to the state are citizens or authorized residents.

The Hispanic share of births in the state has risen to 13.6 percent and, given the concentration of adults in prime childbearing ages, that share is likely to rise. Hispanics were responsible for 57 percent of the enrollment growth in the state's public K-12 schools between 2000 and 2004, with many being concentrated in a few large, metropolitan counties. For the most part, the growth of the Hispanic population in North Carolina has been a form of labor migration. Over the last decade, the North Carolina labor force has increased by 22 percent. Hispanics accounted for 35 percent of that growth. In other words, one out of every three net new workers in the state is Hispanic. The construction industry and the agricultural industry have become particularly dependent upon Hispanic workers.

North Carolina Hispanics had an estimated total after-tax income of \$8.3 billion in 2004. Approximately 20 percent of this was sent home to families abroad, saved, or used for interest payments. The remaining spending had a total impact of \$9.2 billion on the state, much of which was concentrated in the major metropolitan areas along the I-40/I-85 corridor, but also supported businesses in every corner of the state.

The large and growing Hispanic population was reflected in a fiscal impact on the state budget with the costs of education, health services, and corrections totaling an estimated \$817 million in 2004. Those costs were balanced to a large degree by direct and indirect tax contributions of \$756 million, resulting in a net cost to the state budget of \$61 million—approximately \$102 per Hispanic resident. It is important that this estimated \$61 million net cost to the state budget be seen in the context of the aggregate benefits Hispanics bring to the state's economy. Along with directly and indirectly generating over \$9 billion annually in North Carolina business revenues, Hispanic workers contribute immensely to the economic output of the state and to the cost-competitiveness of a number of key industries. For example, our estimates indicate that, without Hispanic labor, the output of the state's construction industry would likely be considerably lower and the state's total private sector wage bill as much as \$1.9 billion higher. Some of these labor-cost savings keep North Carolina's businesses competitive while others are passed on in the form of lower prices to North Carolina consumers.

Hispanic purchasing power is only partially tapped in a number of localities. Opportunities exist for these localities to retain more of the Hispanic consumer dollar. While the dollar value of this potential is considerably higher in metropolitan counties, the benefit may be more directly felt in rural areas. The total impact of Hispanic spending may come close to doubling over the next five years with the Charlotte and Raleigh-Durham metropolitan areas likely being the largest beneficiaries. Given such anticipated growth, Hispanic entrepreneurship would be poised to increase substantially should certain constraints we noted be overcome.

Finally, exports from North Carolina to Latin America, many in traditional industries, are responsible for nearly 70,000 jobs and \$231 million in state and local taxes. Exports to this region have grown markedly in recent years and there is potential for further expansion. Likewise, North Carolina's growing Hispanic population, along with the state's economic advantages, creates opportunities for recruiting Latin American investment to the state that could substantially boost North Carolina's jobs and tax revenues in the years ahead.

APPENDIX A: HISPANIC POPULATION ESTIMATION METHODOLOGY

Below is a how we arrived at our estimate.

We began by looking at the public-school enrollment figures. These figures are an actual count of the Hispanic school attendee population, which gave us a base number of 102,174.

We then built in additions to the base number using several assumptions from the 2000 Census, including:

- Private school attendees are 6.2 percent of the school age population (6,335);
- School-age drop-outs are 45 percent of ages 15-19 (12,194);
- Idle/working teens are 23 percent of ages 15-19 (6,340).

Our adjusted number for Hispanic school-aged children is 127,043.

We then applied a ratio, from the 2000 Census, of 3.73 non-school-aged Hispanic persons for every school-aged Hispanic person. Multiplying $127,043 \ge 3.73 = 473,870$. Adding 473,870 to 127,043 brings us to our total estimate of the state's Hispanic population: 600,913.

The 2004 American Community Survey estimates the number of Hispanics in the state at 506,206. They break down that number as follows:

- 109,142 born in the state;
- 103,623 born in another U.S. jurisdiction;
- 224,055 born in Mexico;
- 66,249 born in another Latin American country;
- 3,134 born in a non-Latin American foreign country.

Our estimate is 600,913, which is 18.7 percent higher. Before we multiply the ACS breakdowns by a constant of 0.187091 to get our breakdowns of native born and immigrant groups, we do a separate calculation for Hispanics born in the state. We do this because we know the number of native born Hispanics and do not need to estimate it.

This method is limited as we only have birth data for the state dating back to 1988, whereas the ACS number is for native born Hispanics of all ages. This method will slightly inflate the number of immigrants and newcomers from other U.S. jurisdictions but we feel it is reasonable for our purposes.

The North Carolina State Center for Health Statistics reported 124,293 Hispanic births in the state since 1988. If we subtract 124,293 from our total of 600,913, we are left with 476,620. Subtracting the ACS number of native born Hispanics (109,142) from the ACS total (506,206) leaves 397,064. Our new estimate of Hispanics is now 20.0 percent higher than the ACS estimate. We use this new constant of 0.200385 to determine the rest of our breakdowns. The Kenan Institute breakdowns are as follows:

- 124,293 born in North Carolina;
- 124,392 born in other U.S. jurisdictions;
- 268,952 born in Mexico;
- 79,524 born in other Latin American countries;
- 3,762 born in non-Latin American foreign countries.

APPENDIX B: SUPPORTING TABLES

Table B1

HISTORY OF NORTH CAROLINA SCHOOL ENROLLMENT BY RACE/ETHNICITY, BETWEEN SCHOOLYEARS 1985-86 AND 2004-05

	America Alaskan		Bla	ıck	Asi Pacific I		Hisp	anic	Wh	ite	
Year	Number	%	Number	%	Number	%	Number	%	Number	%	LEA Total
1985-86	17,474	1.6	328,275	30.2	6,697	0.6	3,735	0.3	729,949	67.2	1,086,130
1986-87	17,322	1.6	327,646	30.2	7,075	0.7	4,150	0.4	727,812	67.1	1,084,005
1987-88	17,756	1.6	328,670	30.3	7,507	0.7	4,830	0.5	726,181	66.9	1,084,944
1988-89	17,403	1.6	328,395	30.4	8,161	0.8	5,828	0.5	720,698	66.7	1,080,485
1989-90	17,240	1.6	327,420	30.4	8,938	0.8	7,100	0.7	717,463	66.5	1,078,161
1990-91	17,225	1.6	327,658	30.3	9,711	0.9	8,530	0.8	719,448	66.4	1,082,572
1991-92	17,100	1.6	329,802	30.2	10,395	1.0	10,031	0.8	725,149	66.4	1,092,477
1992-93	17,233	1.6	334,765	30.2	11,519	1.0	12,124	1.1	731,204	66.1	1,106,845
1993-94	17,522	1.6	340,566	30.3	12,641	1.1	14,507	1.3	738,332	65.7	1,123,568
1994-95	17,554	1.5	348,461	30.4	14,098	1.2	17,699	1.6	748,862	65.3	1,146,674
1995-96	17,698	1.5	358,129	30.6	15,696	1.3	22,299	1.9	759,128	64.7	1,172,950
1996-97	18,092	1.5	368,478	30.7	17,520	1.4	27,300	2.3	769,065	64.1	1,200,455
1997-98	18,375	1.5	376,740	30.8	19,550	1.6	32,902	2.7	774,602	63.4	1,222,169
1998-99	18,543	1.5	383,287	31.0	20,932	1.7	38,319	3.1	776,527	62.7	1,237,608
1999-00	18,762	1.5	388,778	31.0	22,597	1.8	46,164	3.7	777,400	62.0	1,253,701
2000-01	18,651	1.5	393,712	31.0	23,576	1.9	56,232	4.4	776,251	61.2	1,268,422
2001-02	18,872	1.5	400,492	31.1	24,782	1.9	67,677	5.3	775,108	60.2	1,286,931
2002-03	19,081	1.5	407,550	31.2	25,574	2.0	77,485	5.9	774,635	59.4	1,304,325
2003-04	19,416	1.5	416,264	31.4	26,593	2.0	88,355	6.6	775,079	58.5	1,325,707
2004-05	19,806	1.5	422,993	31.3	26,593	2.0	101,380	7.5	775,383	57.5	1,347,177

Source: North Carolina Public Schools, Statistical Profile, 2005

Table B2NORTH CAROLINA SCHOOL SYSTEMS WITHLARGEST HISPANIC ENROLLMENTS, 1999-2004

Location	1999	2000	2001	2002	2003	2004
Charlotte-Mecklenburg	3,367	4,399	5,687	7,269	8,520	10,234
Wake	2,895	3,603	4,551	5,665	6,730	7,896
Forsyth	1,963	2,413	2,954	3,819	4,519	5,216
Cumberland	2,595	2,672	2,707	2,834	2,975	3,100
Guilford	1,235	1,601	2,084	2,568	2,994	3,466
Durham	1,051	1,338	1,767	2,300	2,705	3,045
Alamance-Burlington	1,039	1,269	1,668	2,058	2,271	2,461
Johnston	1,216	1,441	1,679	1,995	2,311	2,682
Union	774	976	1,284	1,525	1,843	2,127
Lee	1,037	1,183	1,316	1,498	1,661	1,750
Duplin	1,027	1,171	1,304	1,489	1,669	1,863
Sampson	813	908	1,008	1,161	1,295	1,422
Harnett	684	819	948	1,148	1,298	1,509
Cabarrus	538	687	882	1,118	1,344	1,600
Gaston	392	544	808	1,057	1,213	1,412

Source: North Carolina Public Schools, Statistical Profile, 1999-2005

Table B3THE 20 COUNTIES IN NORTH CAROLINA WITH THEHIGHEST PERCENTAGE OF HISPANIC STUDENTS, 2004-05

North Carolina County	Asian	Black	Hispanic	Indian	White	Total	Hispanic%
Duplin County	10	2,939	2,061	18	3,859	8,887	23.2%
Montgomery County	122	1,234	943	2	2,222	4,523	20.8%
Lee County	77	2,495	1,873	47	4,666	9,158	20.5%
Sampson County	23	2,525	1,593	117	4,029	8,287	19.2%
Chatham County	33	1,609	1,408	21	4,333	7,404	19.0%
Greene County	8	1,605	506	-	1,060	3,179	15.9%
Yadkin County	25	281	803	13	4,940	6,062	13.2%
Forsyth County	673	18,004	5,976	116	23,530	48,299	12.4%
Surry County	55	411	1,060	11	7,199	8,736	12.1%
Johnston County	111	5,849	3,079	108	17,012	26,159	11.8%
Durham County	672	18,184	3,602	82	8,164	30,704	11.7%
Henderson County	131	917	1,458	44	9,970	12,520	11.6%
Mecklenburg County	4,982	53,453	12,360	662	47,060	118,517	10.4%
Tyrrell County	2	265	66	-	312	645	10.2%
Harnett County	76	5,614	1,601	164	9,533	16,988	9.4%
Union County	295	4,852	2,589	91	20,781	28,608	9.0%
Hoke County	62	3,163	571	953	2,007	6,756	8.5%
Cabarrus County	303	3,914	1,889	84	16,256	22,446	8.4%
Wake County	5,100	34,404	9,388	308	64,868	114,068	8.2%
Franklin County	32	3,110	649	26	4,099	7,916	8.2%

Source: Beyond 20/20, Inc.

Table B4HISPANIC TOTAL ECONOMIC IMPACTBY METROPOLITAN AREA, 1990-2004

Location	1990	2000	2004
Asheville MSA	\$27,915	\$138,788	\$219,367
Burlington MSA	\$7,148	\$93,533	\$208,142
Charlotte MSA	\$137,585	\$1,021,364	\$1,978,409
Durham MSA	\$56,668	\$418,584	\$780,321
Fayetteville MSA	\$132,137	\$332,854	\$369,182
Goldsboro MSA	\$12,529	\$48,312	\$71,891
Greensboro MSA	\$54,147	\$356,193	\$631,5 10
Greenville MSA	\$10,275	\$53,236	\$84,235
Hickory MSA	\$17,984	\$154,807	\$307,237
Jacksonville MSA	\$65,560	\$143,900	\$148,251
Raleigh MSA	\$103,383	\$661,023	\$1,196,144
Rocky Mount MSA	\$8,516	\$43,504	\$72,857
Wilmington MSA	\$11,709	\$79,641	\$119,253
Winston-Salem MSA	\$34,149	\$298,462	\$583,330

Table B5HISPANIC INDIRECT EMPLOYMENT IMPACTBY METROPOLITAN AREA, 1990-2004

Location 1990 2000 2004 Asheville MSA 300 1,400 2,300 Burlington MSA 100 900 2,000 Charlotte MSA 1,200 8,700 16,900 Durham MSA 500 3,900 7,300 Fayetteville MSA 1,100 2,900 3,200 Goldsboro MSA 100 400 700 Greensboro MSA 500 3,500 6,200 Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100 Rocky Mount MSA 100 400 700		SPIN-OFF EMPLOY	$M \in N T$	
Burlington MSA 100 900 2,000 Charlotte MSA 1,200 8,700 16,900 Durham MSA 500 3,900 7,300 Fayetteville MSA 1,100 2,900 3,200 Goldsboro MSA 100 400 700 Greensboro MSA 500 3,500 6,200 Hickory MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Kaleigh MSA 900 5,600 10,100	Location	<i>1990</i>	2000	2004
Charlotte MSA 1,200 8,700 16,900 Durham MSA 500 3,900 7,300 Fayetteville MSA 1,100 2,900 3,200 Goldsboro MSA 100 400 700 Greensboro MSA 500 3,500 6,200 Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Asheville MSA	300	1,400	2,300
Durham MSA 500 3,900 7,300 Fayetteville MSA 1,100 2,900 3,200 Goldsboro MSA 100 400 700 Greensboro MSA 500 3,500 6,200 Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Burlington MSA	100	900	2,000
Fayetteville MSA1,1002,9003,200Goldsboro MSA100400700Greensboro MSA5003,5006,200Greenville MSA100500800Hickory MSA2001,4002,800Jacksonville MSA5001,1001,100Raleigh MSA9005,60010,100	Charlotte MSA	1,200	8,700	16,900
Goldsboro MSA 100 400 700 Greensboro MSA 500 3,500 6,200 Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Durham MSA	500	3,900	7,300
Greensboro MSA 500 3,500 6,200 Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Fayetteville MSA	1,100	2,900	3,200
Greenville MSA 100 500 800 Hickory MSA 200 1,400 2,800 Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Goldsboro MSA	100	400	700
Hickory MSA2001,4002,800Jacksonville MSA5001,1001,100Raleigh MSA9005,60010,100	Greensboro MSA	500	3,500	6,200
Jacksonville MSA 500 1,100 1,100 Raleigh MSA 900 5,600 10,100	Greenville MSA	100	500	800
Raleigh MSA 900 5,600 10,100	Hickory MSA	200	1,400	2,800
	Jacksonville MSA	500	1,100	1,100
Rocky Mount MSA 100 400 700	Raleigh MSA	900	5,600	10,100
	Rocky Mount MSA	100	400	700
Wilmington MSA 100 800 1,100	Wilmington MSA	100	800	1,100
Winston-Salem MSA 300 2,800 5,600	Winston-Salem MSA	300	2,800	5,600

Table B6HISPANIC INDIRECT LABOR INCOME IMPACTBY METROPOLITAN AREA, 1990-2004

Dollar numbers are in thousands

	SPIN-OFF LABOR	INCOME	
Location	1990	2000	2004
Asheville MSA	\$6,982	\$34,712	\$54,866
Burlington MSA	\$1,648	\$21,563	\$47,985
Charlotte MSA	\$34,875	\$258,899	\$501,493
Durham MSA	\$14,129	\$104,365	\$194,556
Fayetteville MSA	\$25,813	\$65,024	\$72,122
Goldsboro MSA	\$2,530	\$9,756	\$14,517
Greensboro MSA	\$14,378	\$94,581	\$167,687
Greenville MSA	\$2,088	\$10,820	\$17,191
Hickory MSA	\$4,049	\$34,690	\$69,170
Jacksonville MSA	\$9,940	\$21,818	\$22,477
Raleigh MSA	\$24,319	\$155,495	\$281,373
Rocky Mount MSA	\$1,767	\$9,026	\$15,116
Wilmington MSA	\$2,561	\$17,416	\$26,079
Winston-Salem MSA	\$8,705	\$76,106	\$148,746

Table B7HISPANIC STATE TAX RECEIPTS INDIRECT IMPACTBY METROPOLITAN AREA, 1990-2004

Dollar numbers are in thousands

	SPIN-OFF STATE	TAXES	
Location	1990	2000	2004
Asheville MSA	\$1,285	\$6,387	\$10,095
Burlington MSA	\$317	\$4,148	\$9,231
Charlotte MSA	\$6,444	\$47,838	\$92,664
Durham MSA	\$2,571	\$18,990	\$35,400
Fayetteville MSA	\$5,404	\$13,614	\$15,099
Goldsboro MSA	\$521	\$2,010	\$2,991
Greensboro MSA	\$2,490	\$16,378	\$29,038
Greenville MSA	\$430	\$2,230	\$3,542
Hickory MSA	\$749	\$6,414	\$12,789
Jacksonville MSA	\$2,201	\$4,832	\$4,978
Raleigh MSA	\$4,994	\$31,928	\$57,775
Rocky Mount MSA	\$338	\$1,729	\$2,895
Wilmington MSA	\$557	\$3,790	\$5,675
Winston-Salem MSA	\$1,369	\$11,968	\$23,390

Table B8HISPANIC FEDERAL TAX RECEIPTS INDIRECT IMPACTBY METROPOLITAN AREA, 1990-2004

Dollar numbers are in thousands

	SPIN-OFF	FEDERAL TAX	X IMPACT	
Location		1990	2000	2004
Asheville MSA		\$1,706	\$8,483	\$13,408
Burlington MSA		\$458	\$5,991	\$13,331
Charlotte MSA		\$10,555	\$78,352	\$151,771
Durham MSA		\$3,774	\$27,875	\$51,964
Fayetteville MSA		\$5,887	\$14,829	\$16,448
Goldsboro MSA		\$609	\$2,347	\$3,493
Greensboro MSA		\$4,152	\$27,315	\$48,428
Greenville MSA		\$452	\$2,342	\$3,720
Hickory MSA		\$1,019	\$8,734	\$17,415
Jacksonville MSA		\$2,129	\$4,674	\$4,815
Raleigh MSA		\$6,866	\$43,899	\$79,437
Rocky Mount MSA		\$448	\$2,289	\$3,834
Wilmington MSA		\$757	\$5,147	\$7,707
Winston-Salem MSA		\$2,788	\$24,372	\$47,634

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Founded in 1985, the Frank Hawkins Kenan Institute of Private Enterprise pursues cutting-edge programming and research in the areas of entrepreneurship, economic development, and globalization. It is part of Kenan-Flagler Business School at The University of North Carolina at Chapel Hill.

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