

Economic Impact Summary For Brother Rice High School

Executive Summary:

If we take a \$10 million annual disbursement and apply the typical, localized economic spending multiplier* of 1.20 to the original \$10 million annual expenditure, then we can estimate that Brother Rice's total economic impact in the community is equivalent to approximately \$12 million dollars annually.

Summary:

Founded in 1960 by the Christian Brothers of Ireland, and located in Bloomfield Township, Brother Rice is a private, fully accredited, four-year Catholic College Prep School for young men.

There are several unique aspects to consider in assessing the economic value to Bloomfield Township and Southeast Michigan of Brother Rice. For example, accounting for physical size or total budget of the school significantly understates total impact, including quality or influence that Brother Rice exerts on its environment. This is especially true considering the outstanding success of its graduates. Unlike most competitors among its public and private school peers, Brother Rice is funded solely by tuitions and fundraising activity. Its levels of achievement in academics, athletics, music, and other high school endeavors exceed the U.S. average by wide margins, reflecting both the effectiveness of dollars spent per pupil and a bottom-line focus on economical operations and planning.

Brother Rice's primary educational facility enrolls nearly 700 students as of the 2012-13 academic year. These students come from six counties and represent 63 communities in Southeast Michigan. Students enrolling in Brother Rice High School come from diverse elementary and middle schools, reflecting the outcome of explicit parental selection and preference in the competition between public schools (44 percent of attendees) and private schools (52 percent of attendees). The magnitude of this preference for Brother Rice has a double weight, owing to the extra financial commitment demonstrated by families that have already been taxed by their local communities to fund the in-place public school systems.

Brother Rice tuition, fees, and donations are only counted once in this impact estimate. Yet, existing property tax burdens --already incurred annually to fund an existing school district-- are statistically overlooked by this analysis. The narrower scope understates total financial commitment to secondary education of families in Southeast Michigan whose children attend Brother Rice. It likely minimizes overall quantity and quality of community impact as well.

One hundred percent of Brother Rice's students are admitted to college, with 99 percent actually attending college. Average SAT scores for Brother Rice surpass the national average by 22½ percent; ACT score exceed the national average by 21.8 percent.

These impressive academic results are especially noteworthy, considering total faculty at Brother Rice is 42, with average class size between 18-24, and single student tuition pegged at \$10,750

per year. In 2012, more than 60 percent of Brother Rice graduates received academic merit awards or academic/athletic college scholarships. Furthermore, more than \$10 million was awarded to the senior class for academic year 2011-12.

Impact Summary

A starting point for estimating economic impact is budgets. In part, the financial value of a community's educational institution is profiled by totaling budgets -- operating and capital funds. In particular, the educational services provided by Brother Rice are sustainable only to the extent individuals and families decide to pay tuitions and fees and invest in capital facilities that contribute to student success and /or donate to programs so that Brother Rice can provide students with educational services and instructors and staff with the kind of teaching environment that promotes its reputation each year.

Brother Rice's operating budget, alone, has an \$8,000,000 impact. Disbursements influence staff payrolls, benefits, equipment purchases, facility repair and maintenance, transportation, performing arts, and many celebratory events. The economic impact of operating budgets is augmented by outlays from capital budgets, targeting expansion and renovation of physical plant, parking lots, vehicle fleets, classrooms, media and tech centers, theatre-auditorium and athletic playing fields. Annual outlays for such construction and replacement average another \$1-2 million annually.

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*Spending Multiplier

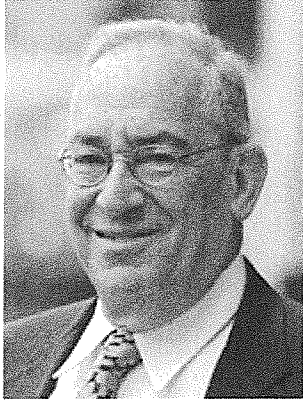
Spending multipliers give us an idea of how much extra spending, in addition to the originally-spent dollar, will circulate in the local area economy after the original dollar is fully spent. For example, if we defined "impact area" to incorporate a very large geographical area that was also quite diversified industrially (e.g., state of California), then the total spending multiplier might reach 2.00, or even 2.30. Such a multiplier means that the second, third, and subsequent rounds of spending, induced by the first dollar spent, would not diminish in magnitude too quickly. That's because most people who spend these successive rounds will find products and services that are still produced within the confines (or borders) of a state the size of California.

In smaller locales, successive waves of spending diminish rather quickly because there are "leaks" when purchases of goods and services occur at sites well beyond the borders of the community being assessed for economic impact. If a faculty member of Brother Rice vacations in Arizona, the payroll dollar leaks, augmenting multipliers elsewhere. Savings and taxes represent similar leaks. In general, the smaller and more specialized the local community is, the less likely it is to benefit as much from subsequent spending of that first payroll dollar.

In our case, Southeast Michigan is somewhat off the beaten path, and, although local business and population densities of the six-county region are high, studies over many decades suggest that significant leaks tend to dampen spending multipliers for our region.

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Senior Economist

David L. Littmann is senior economist with the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich., and among the largest state-based free-market think tank in the country.

Littmann received his M.A. degree in economics from the University of Michigan in 1967. He holds an S.M. degree in economics from M.I.T. and a B.A. degree in economics from Antioch College, and completed a year of study as an exam student at the London School of Economics & Political Science.

Littmann retired from Comerica Bank in early 2005 as senior vice president and chief economist after a 35-year career in charge of Comerica's Economics Department and Research Library. He authored a host of business barometers and developed many leading indicators for the local and national economies and from tourism to the auto industry.

Littmann received the 2003 Lawrence R. Klein Award for Blue Chip Forecast Accuracy. This is one of the most prestigious and long-standing awards in the profession. It recognizes the best four-year economic forecast in the nation. In 2004, Littmann was honored by the state Chamber of Commerce as Michigan's man of the year for outstanding leadership and contributions. His research articles on the causes of inflation were published in *Business Economics*, the professional journal of the National Association of Business Economists.

For three decades, Littmann was a featured columnist for the Detroit Regional Chamber, *The Wall Street Journal*, *The Detroit News* and *dBUSINESS Magazine* continue publishing his editorials, and his book reviews appear in *Ideas On Liberty*, the journal of the Foundation for Economic Education.

Littmann served as chairman of the Economic Advisory Committee of the American Bankers Association in Washington, D.C., where he met regularly with governors of the Federal Reserve Board. Over his working career, Littmann held positions at all levels of government, served as a director of Nixdorff-Krein Industries in St. Louis, MO., and was trustee of the Bloomfield Hills MI School District.

His contributions to the economics profession and public policy are now archived in the Bentley Historical Library collection on the University of Michigan campus. In addition to his on-going economic publications and presentations, Mr Littmann is a practicing, certified graphologist, now serving as historian and Midwest regional vice president of the American Association of Handwriting Analysts.

Mr. Littmann, married 45 years, has 3 children, 7 grandchildren, and resides near Holly, Michigan.