

**THE ECONOMIC IMPACT OF THE
LOUIS ARMSTRONG
INTERNATIONAL AIRPORT**

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EXECUTIVE SUMMARY

Overall Impact of the Airport

- ❑ The Louis Armstrong New Orleans International Airport is a very important part of the New Orleans area economy; this is especially true for the City of Kenner and St. Charles Parish, where the Airport is located. The airport serves as the gateway to the New Orleans tourism industry, one of the mainstays of the local economy and the only sector of the economy that has experienced any significant growth over the past few years. The Airport also serves as a means for local and visiting business people to travel to and from the area to conduct business.
- ❑ Most importantly, however, the economic activities directly related to the Armstrong International Airport generate hundreds of millions of dollars of income for people in the area and thousands of jobs. The Airport also provides crucial services to local business and industry. These activities are concentrated in close physical proximity to the Airport and generate income, jobs and tax revenue for the City of Kenner and St. Charles Parish because of the Airport's location.
- ❑ The purpose of this report is to estimate the economic contribution of the Airport to the New Orleans metro areas as well as to the City of Kenner, Parish of St. Charles, and their economies.
- ❑ The spending impact of the Airport consists of the following components:
 - A) The spending of the New Orleans Aviation Board on Airport operations
 - B) The spending of the airlines and the air freight companies
 - C) The spending of the concessionaires and other businesses that rely directly on the operations of the Airport
 - D) The spending of "Airport" hotels, motels, and other "off-Airport" businesses (nearby, airport-related businesses)
 - E) The spending generated by the construction firms that are engaged in various Airport construction projects.

□ Table S1 presents the economic impact of the Airport on the New Orleans area economy.

TABLE S1

Total Airport Spending
(In Millions)

Category	Direct	Secondary	Total
Salaries	\$155.35	\$192.78	\$348.13
Local Fuel Purchases	\$19.38	\$12.72	\$32.10
Local Non-Fuel Purchases	\$20.55	\$13.48	\$34.03
Rent	\$25.34	\$49.88	\$75.22
Equipment Purchases	\$6.73	\$13.24	\$19.97
Utilities	\$11.14	\$21.93	\$33.07
Contractual Services	\$57.68	\$113.53	\$171.21
Direct State Taxes	\$7.56	\$9.38	\$16.93
Direct Local Taxes	\$20.39	\$25.30	\$45.69
Other Spending	\$54.38	\$67.49	\$121.88
Hotel Spending	\$66.52	\$65.53	\$132.05
Construction	\$33.27	\$30.28	\$63.55
Total	\$478.28	\$615.54	\$1,093.83

Source: Airport Questionnaire and Author's Calculations

* Totals may not add due to rounding.

□ It should be pointed out that this impact is for one year only. There is every reason to believe that this spending will increase substantially in the future because of the increased construction mentioned earlier, increased travel due to a rebounding of the national and local economy, growth of the local tourism industry, expanded business due to the expansion of the air cargo facilities, and increased air service and air cargo activities for New Orleans. But, even without all of this, the Airport contributes over \$1.09 billion annually to the New Orleans area economy in direct and secondary spending. The Airport is truly a crucial part of the local economic structure.

- ❑ In 2003, there were a total of 12,471 people in the New Orleans metro area who owe their job, either directly and indirectly, to the operations of the Louis Armstrong New Orleans International Airport. The direct employment consists of people who are employed by the Aviation Board, by professional services and consultants paid for by the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport. The indirect, or secondary, employment consists of people whose jobs are supported, in whole or in part, by the spending of the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport. In 2003, the activities of the Airport created \$458.74 million of income for New Orleans area residents. Table S2 presents these data.

- ❑ **The employment of 12,471 people in the New Orleans area means that 2% of all the jobs in the entire metro area is supported by the Airport. This report does not include the impact of the New Orleans tourism industry, which is over \$4.6 billion in direct spending. Of all of the visitors to the City of New Orleans, over 58% fly. Thus, in addition to its direct impact as documented in this report, the Airport facilitates over \$2.6 billion of additional tourism spending in the New Orleans area. Thus, the Airport is clearly one of the largest economic engines in the New Orleans metro area.**

- ❑ **In terms of total impact, the Airport contributes the equivalent of three Super Bowls every year to the New Orleans economy.**

TABLE S2

Total Airport Earnings and Employment
(Earnings in Millions)

Category	Earnings	Jobs
New Orleans Aviation Board	\$95.59	2,105
Airlines	\$80.87	2,340
Concessionaires	\$185.95	4,331
Airport Hotels	\$43.57	2,315
Airport Construction	\$52.77	1,380
Total Employment	\$458.74	12,471

Source: Airport Questionnaire and Author's Calculations

* Totals may not add due to rounding.

- In 2003, a total of \$36.04 million in tax revenue was generated for the state of Louisiana and \$35.38 million was produced for local governments in Jefferson Parish. Thus, total state and local tax revenue generated by the Airport and related business activities in 2003 was \$71.41 million. These are revenues that will recur every year and will grow as Airport activities increase over the next few years.

Impact of the Airport on the Kenner Economy

- ❑ The Airport provides the foundation for the economy of the City of Kenner. In 2003, the total direct spending in the Kenner economy that was caused by the Airport and the business generated by the Airport was \$145.85 million. That direct spending creates secondary spending in the Kenner economy as it creates secondary spending in the New Orleans area economy. In 2003, the \$145.85 million in direct spending in Kenner created secondary spending of \$181.97 million, for a total economic impact upon the Kenner economy of \$327.82 million.
- ❑ Approximately 4,189 Kenner residents and employees owe their livelihood to the Airport and related activities. The Airport generates over \$130.35 million in income for Kenner residents. The Airport and its operations generate \$8.71 million annually in revenue for the City of Kenner. The Airport is clearly vital to the economic and fiscal health of the City of Kenner.
- ❑ Table S3 presents the spending impact of the Airport on the Kenner economy.

TABLE S3

Total Airport Direct Spending In Kenner
(Dollar Figures in Millions)

<u>Category</u>	<u>Impact</u>
Direct Spending	\$145.85
Secondary Spending	\$181.97
Total Spending	\$327.82
Total Airport-Related Earnings	\$130.35
Total Airport-Related Employment	4,189
Total Kenner Local Tax Revenue	\$8.71

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

Impact of the Airport on the St. Charles Parish Economy

- ❑ The Airport provides a significant economic impact to St. Charles Parish. In 2003, the total direct spending in the St. Charles economy that was caused by the Airport and the business generated by the Airport was \$26.51 million. That direct spending creates secondary spending in the St. Charles economy as it creates secondary spending in the New Orleans area economy. In 2003, the \$26.51 million in direct spending created secondary spending of \$35.42 million, for a total economic impact upon the St. Charles economy of \$61.93 million.
- ❑ Approximately 659 St. Charles residents and employees owe their livelihood to the Airport and related activities. The Airport generates over \$26.82 million in income for St. Charles residents. The Airport and its operations generate \$0.99 million annually in revenue for the Parish.
- ❑ Table S4 presents the spending impact of the Airport on the St. Charles Parish economy.

TABLE S4

Total Airport Direct Spending In St. Charles Parish
(Dollar Figures in Millions)

Category	Impact
Direct Spending	\$26.51
Secondary Spending	\$35.42
Total Spending	\$61.93
Total Airport-Related Earnings	\$26.82
Total Airport-Related Employment	659
Total St. Charles Local Tax Revenue	\$0.99

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

INTRODUCTION

The Louis Armstrong New Orleans International Airport is a very important part of the New Orleans area economy; this is especially true for the City of Kenner where the Airport is located. The airport serves as the gateway to the New Orleans tourism industry, one of the mainstays of the local economy and the only sector of the economy that has experienced any significant growth over the past few years. The Airport also serves as a means for local and visiting business people to travel to and from the area to conduct business. Most importantly, however, the economic activities directly related to the Airport generate hundreds of millions of dollars of income for people in the area and thousands of jobs. The Airport also provides crucial services to local business and industry. These activities are concentrated in close physical proximity to the Airport and generate income, jobs and tax revenue for the City of Kenner because of the Airport's location within City limits.

The purpose of this report is to estimate the economic contribution of the Armstrong International Airport to the New Orleans metro areas as well as to the City of Kenner and to St. Charles Parish. The base year for the study is 2003. The economic impact as estimated in this study is made up of four components: the direct, secondary and total spending (referred to as total economic impact) due to Airport operations; the income of area residents due to the Airport; the number of area residents who owe their employment, either directly or indirectly, to the Airport; and the tax revenue that is generated by the Airport and its operations to various levels of government.

THE SPENDING IMPACT

The spending impact of the Airport consists of the following components:

- A) The spending of the New Orleans Aviation Board on Airport operations;
- B) The spending of the airlines and the air freight companies;
- C) The spending of the concessionaires and other businesses that rely directly on the operations of the Airport;
- D) The spending of "Airport" hotels and motels; and
- E) The spending generated by the construction firms that are engaged in various Airport construction projects.

The purpose of this section is to estimate the total dollar magnitude of the economic impact in each of these categories. In each of the categories identified above, local income is generated in two ways: directly and indirectly. The direct impact reflects the spending of businesses and employees who work at the Airport or for companies that are engaged in activities that depend on the Airport (such as employees of the airlines).

In order to estimate the direct economic impact of the Airport, it was necessary to get primary information from the groups described above. That was done in two ways. First, detailed spending

records of the Aviation Board were examined to identify their spending. To obtain information on the other firms, a 1995 survey of Airport related businesses was updated to 2003. The response rate to the 1995 questionnaire was well above 90%. Thus, the information presented in this report is highly accurate and timely.

In 2003, the activities of the Airport produced **\$478.28 million in direct spending in the New Orleans area economy**. The components of the \$478.28 million figure are summarized in Table 1.

TABLE 1

Total Direct Spending
(In Millions of \$s)

<u>Category</u>	<u>Spending</u>
New Orleans Aviation Board	\$88.50
Airlines	\$80.77
Concessionaires (Including Taxis)	\$172.29
Airport Hotels	\$73.17
Airport Construction	\$63.55
Total Direct Spending	\$478.28

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

THE NEW ORLEANS AVIATION BOARD

The New Orleans Aviation Board (NOAB), which operates the Airport, has a number of employees at the Airport. In addition to the wages and salaries of its employees, the Aviation Board purchases supplies, utilities, contractual services, and assorted other goods and services such as advertising, legal services, janitorial services, security and printing. These local expenditures are a very important part of the economic impact of the Airport. As indicated in Table 1, the NOAB generated \$88.50 million in total spending in 2003.

THE AIRLINES

The largest part of the operations of an airport are the activities of the airlines and the companies that handle air freight. The airlines employ a large number of people in the New Orleans area and pay a great deal of salary money to local residents. In addition to salaries, there are several other

categories of local airline spending that are relevant. First, the airlines buy all types of supplies and fuel locally. Second, they purchase contractual services from local firms, including legal, security, and janitorial services. Finally, the Aviation Board purchases utilities from local utility companies, including electricity, gas, water and telephone services on behalf of Airport tenants. In 2003, the total direct spending of the airlines involved in the movement of people and cargo at the Airport was \$80.77 million.

OTHER FIRMS

In addition to the airlines and air freight companies, there are quite a few firms that rely on the activities of the airport for their existence. The broad categories of these firms are:

- 1) Airport concessionaires -- these firms engage in food services at the airport and for the airlines, retail shops at the airport, and the like.
- 2) Airport parking facilities.
- 3) Airport rent-a-car agencies.
- 4) Federal government agencies -- such as the Federal Aviation Administration, the Transportation Security Administration, the Food and Drug Administration, U. S. Customs, the Air Traffic Controllers, and the Department of Agriculture.
- 5) Miscellaneous businesses -- such as Skycaps, the Greater New Orleans Tourist and Convention Commission, and Travelers Aid.
- 6) Taxicab drivers who transport people to and from the Airport.

For the purposes of simplicity, these firms will be referred to simply as "concessionaires." In 2003, these firms spent \$172.29 million on salaries, contractual services, supplies and utilities for their local operations.

HOTELS AND MOTELS

The next category is "Airport" hotels and motels. There are a number of hotels and motels that are adjacent or very close to the Airport and owe their livelihood to the millions of visitors that are brought to the area by the airlines. These hotels would surely have located closer to the downtown tourist area if the Airport were not located in Kenner. Thus, their existence in Kenner is due to the Airport. A survey of local area hotels for this study indicates that there are 2,830 rooms in "Airport" hotels. According to "Trends in the Hotel Industry," prepared by the accounting firm of Pannell, Kerr, Forster, the average occupancy rate of Airport hotels in 2003 was 74.1% and the average room rate was \$80.94. Multiplying the number of rooms times the average occupancy rate

times the average room rate yields the total amount spent on rooms at Airport hotels. To this is added the amount spent by guests and other groups in hotel restaurants, coffee shops and for meeting rooms. It is assumed that the average spent per registered quest is 10% of their spending on hotel rooms (note that this includes the spending of many local groups that put on meetings at Airport hotels). The total spending at the hotels is \$73.17 million.

CONSTRUCTION SPENDING

Construction spending is a vital part of any modern airport. The airline industry nationally has been growing at a very rapid rate in the past few years. In 2003, the Airport engaged in \$63.55 million of construction projects on terminals, runways, and related facilities.

SECONDARY SPENDING

The direct or primary spending described above produces additional spending in the economy. This additional spending is referred to as indirect and induced spending. Indirect spending includes the spending of local firms that provide supplies to the firms involved in the direct spending. To understand the concept of indirect spending, consider the following hypothetical example. Assume that one of the Airlines purchases its supplies from the A to Z Supply Company. When the airline increases its purchases from A to Z, A to Z must order more inventory from its suppliers. That creates spending for the suppliers. This process will continue on for several rounds. Each round of spending produces income for someone in the local economy. The second kind of secondary spending is induced spending which is the spending of the people who are directly employed by the airline or other Airport related companies. The recipients of that income then spend part of that income in the local economy, thus producing income for still other local residents. An example may put this into perspective. Consider the hypothetical situation of a new airline that decides to come into New Orleans and operate at the Airport. Further assume that this new airline will not compete with any of the existing airlines for passengers. In other words, all of the passengers for the new airline are "new" in that none would have flown to or from the City if the new airline did not exist in New Orleans. The salaries that the airline pays its employees are part of the direct spending. Assume that a local manager of the airline is paid \$50,000 a year. The entire \$50,000 is new spending in the local economy. From his \$50,000 he is going to spend, for example, \$20,000 on food, clothes, entertainment and the like in the local area. That \$20,000 is also **new** spending in the local economy. If the new airline had not started in New Orleans then this \$20,000 as well as the original \$50,000 would not have been spent in the local area. Thus, the \$20,000 is just as much a part of the local impact as the original \$50,000. But the process does not stop here. The recipient of the \$20,000 of spending is himself going to increase his spending by some amount. And so on through the various rounds of spending.

The Bureau of Economic Analysis (BEA) estimates multipliers for all industries in each state and each metro area in the country. The latest estimates are available in a publication entitled: U. S. Department of Commerce, Bureau of Economic Analysis, Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II), (Washington: U. S. Government Printing Office, 1999).

The multipliers are industry specific; that means that for each different industry there is a different multiplier. For the purpose of this analysis the relevant industries that are involved include:

- Households, for salaries;
- Wholesale trade, for local purchases;
- Retail trade, for tourist purchases;
- Public utilities;
- Business services;
- State and local government, for tax revenues;
- Hotels; and
- Construction.

Applying the appropriate multipliers for these industries produces the estimate for secondary spending. The multipliers above are industry specific; it is therefore necessary to identify spending by industry instead of by recipient agency as in Table 1. Table 2 presents the total direct spending identified in Table 1, broken down into the specific industries involved.

TABLE 2

Total Airport Direct Spending by Category
(In Millions of \$s)

Category	Spending
Salaries	\$155.35
Local Fuel Purchases	\$19.38
Local Non-Fuel Purchases	\$20.55
Rent	\$25.34
Equipment Purchases	\$6.73
Utilities	\$11.14
Contractual Services	\$57.68
State Taxes	\$7.56
Local Taxes	\$20.39
Other Spending	\$54.38
Hotel Spending	\$66.52
Construction	\$33.27
 Total	 \$478.28

* Totals may not add due to rounding.

Source: UNO Airport Questionnaire and Author's Calculations

TOTAL DIRECT AND SECONDARY SPENDING

Table 3 presents the secondary, or multiplier, spending for the direct spending identified in Table 2. Adding the total direct and secondary spending produces the total economic impact of the Airport. **In 2003, the total impact was \$1,093.83 million or \$1.09 billion.** This total is broken down into its component parts in Table 3.

TABLE 3

Total Spending
(In millions)

Category	Direct	Secondary	Total
Salaries	\$155.35	\$192.78	\$348.13
Local Fuel Purchases	\$19.38	\$12.72	\$32.10
Local Non-Fuel Purchases	\$20.55	\$13.48	\$34.03
Rent	\$25.34	\$49.88	\$75.22
Equipment Purchases	\$6.73	\$13.24	\$19.97
Utilities	\$11.14	\$21.93	\$33.07
Contractual Services	\$57.68	\$113.53	\$171.21
State Taxes	\$7.56	\$9.38	\$16.93
Local Taxes	\$20.39	\$25.30	\$45.69
Other Spending	\$54.38	\$67.49	\$121.88
Hotel Spending	\$66.52	\$65.53	\$132.05
Construction	\$33.27	\$30.28	\$63.55
Total	\$478.28	\$615.54	\$1,093.83

* Totals may not add due to rounding.

Source: UNO Airport Questionnaire and Author's Calculations

It should be pointed out that this impact is for one year only. There is every reason to believe that this spending will increase substantially in the future because of the increased construction mentioned earlier, increased travel due to a rebounding of the national and local economy, growth of the local tourism industry, expanded business due to the expansion of the air cargo facilities, and increased air service and air cargo activities for New Orleans. But, even without all of this, the Armstrong International Airport contributes over \$1,093.83 million (**or \$1.094 billion**) annually to

the New Orleans area economy in direct and secondary spending. The Airport is truly a crucial part of the local economic structure.

EMPLOYMENT

The activities of the Armstrong International Airport generate a great deal of employment in the area. As with the spending, there are two types of employment effects that result from the operations of the Airport -- direct and secondary employment. The direct employment impact was calculated from the records of the Aviation Board and the questionnaire that was sent to all airlines, concessionaires, and airport-related firms.

In 2003, there were a total of 12,471 people in the New Orleans metro area who owe their job, either directly and indirectly, to the operations of the Airport. The direct employment consists of people who are employed by the Aviation Board, by professional services and consultants paid for by the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport. The indirect, or secondary, employment consists of people whose jobs are supported, in whole or in part, by the spending of the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport. The employment of 12,471 people in the New Orleans area means that 2% of all the jobs in the entire metro area is supported by the Airport. This report does not include the impact of the New Orleans tourism industry, which is over \$4.6 billion in direct spending. Of all of the visitors to the City of New Orleans, over 58% fly. Thus, in addition to its direct impact as documented in this report, the Airport facilitates over \$2.6 billion of additional tourism spending in the New Orleans area.

The Bureau of Economic Analysis, in the same publication mentioned above, also provides employment multipliers and these employment multipliers are also industry specific. An employment multiplier indicates the total amount of employment that results from a given one million dollar increase in spending. Table 4 identifies the direct and secondary employment related to the various categories of Airport impact.

TABLE 4

Total Employment

<u>Category</u>	<u>Total Employment</u>
New Orleans Aviation Board	2,105
Airlines	2,340
Concessionaires	4,331
Airport Hotels	2,315
Airport Construction	1,380
Total Employment	12,471

* Totals may not add due to rounding.

Source: UNO Airport Questionnaire and Author's Calculations

RESIDENT INCOME

The direct and secondary spending described above produces income for local residents. The Bureau of Economic Analysis, in the same publication mentioned above, also provides earnings or income multipliers, and these earnings multipliers are also industry specific. An earnings multiplier indicates the total amount of income that results from a given increase in spending. Table 5 identifies the income generated for area residents by the various categories of Airport impact. In 2003, the activities of the Airport created \$458.74 million of income for New Orleans area residents. Some of this income is paid directly by the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport, and the remainder is paid by the firms that receive secondary spending.

TABLE 5

Total Income Created
(In Millions of \$s)

<u>Category</u>	<u>Income</u>
New Orleans Aviation Board	\$95.59
Airlines	\$80.87
Concessionaires	\$185.95
Airport Hotels	\$43.57
Airport Construction	\$52.77
Total Employment	\$458.74

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

Table 6 presents total employment and total earnings by industry for the various kinds of spending involved in the Airport impact.

TABLE 6

Total Airport Earnings and Employment
(Earnings in Millions)

Category	Earnings	Jobs
Salaries	\$208.91	4,870
Local Fuel Purchases	\$3.99	237
Local Non-Fuel Purchases	\$4.23	252
Rent	\$18.35	723
Equipment Purchases	\$1.39	82
Utilities	\$8.07	318
Contractual Services	\$41.77	1,647
State Taxes	\$10.16	125
Local Taxes	\$27.42	338
Other Spending	\$73.14	901
Hotel Spending	\$42.20	2,234
Construction	\$19.11	743
Total	\$458.74	12,471

Source: Airport Questionnaire and Author's Calculations

* Totals may not add due to rounding.

STATE AND LOCAL TAX REVENUE

When money is spent in any local economy, some of that spending produces tax revenues to State and local governments in the area. This is especially true in the New Orleans area because of the heavy reliance on the retail sales tax. At the State level, the direct spending at the Airport and the direct spending of visitors to Airport hotels pay state sales taxes and state hotel-motel taxes. In addition, the Airport related spending generates income in the area (See Table 5) and from that income recipients pay state income taxes, state sales taxes, and state excise taxes. At the local level, the direct spending at the Airport and the direct spending of visitors to Airport hotels pay local sales taxes and local hotel-motel taxes. Airport related income recipients pay local sales taxes from their income.

In 2003, the activities of the Airport produced \$36.04 million in state tax revenue and \$35.38 million in local tax revenue, for a total of \$71.41 million. The remainder of this section explains these figures.

State Tax Collections

The state taxes collected as a result of Airport operations are of two basic types: 1) sales and hotel taxes on direct spending and 2) sales, income, excise and business taxes on the income created by the Airport operations -- i.e., the income that results from the spending of people who receive the direct spending of the Aviation Board, by the airlines and air freight companies, the concessionaires and related firms, as taxi drivers, and as a result of construction activities at the Airport. Out of that secondary income, the recipient is going to pay his state income taxes; in addition, he is going to buy goods and services and pay the taxes that apply to those goods and services.

The retail sales tax applies to the purchase of some of those goods and services. Some goods and services, however, are not taxable under the retail sales tax, but are taxable under various other taxes -- such as the gasoline tax, the insurance premium tax, the soft drink tax, the beer tax and the like. These are referred to as excise taxes. The assumption made in estimating revenues from all of these taxes is that the recipient of this Airport related income is no different than the average Louisiana consumer; thus, the proportion of that income that is paid in these various taxes is equal to average values for the state as a whole.

State income taxes that are paid out of Airport related income can be estimated by determining the proportion of income that the average person in Louisiana pays in state income taxes. According to the latest data, the average Louisiana resident paid 1.07 percent of his income in state income taxes. Applying this rate to the Airport generated earnings produces income tax revenue of \$7.18 million in 2003.

To estimate the amount of state sales tax revenue that is attributable to the spending caused by the Airport it is necessary to estimate the proportion of income that is spent on taxable commodities in Louisiana. The United States Department of Labor conducts a massive survey of consumer

spending upon which it bases the Consumer Price Index. This survey is called the Consumer Expenditure Survey and the results of the 2002-03 Consumer Expenditure Survey have recently been released. That source reveals that consumers spent approximately 48.52% of their income on commodities that are taxable under the Louisiana retail sales tax. Applying this proportion to the total income and then applying the sales tax rate of 4% yields tax revenue of \$8.90 million which when added to the direct sales tax revenue of \$9.95 million produces total state sales tax revenue of \$18.85 million.

In addition to the direct sales tax revenue, the sale of hotel rooms is taxed by both the state and local governments. At the state level, hotel room sales are taxed at a rate of 6%. Part of that revenue is used to pay off the Superdome bonds and the remainder goes to the state general fund. Based on Airport related hotel sales, the Airport created \$3.99 million of state hotel tax revenues.

Many goods and services are not taxable under the retail sales tax, but are taxable under special taxes, called excise taxes. We should also include these tax revenues in our estimates. The Louisiana taxes that are considered here are: the motor fuel tax, the public utilities tax (here it is assumed that the tax is passed on to consumers), the tobacco tax, the insurance premium tax, the beer and alcoholic beverage tax, the pari-mutuel tax, the soft drink tax, the special fuels tax, and vehicle licenses. Dividing the total revenue from these tax sources by the total personal income in the state yields the excise tax proportion. Multiplying this rate times the income generated by the operations of the Airport produces total tax revenue equal to \$7.52 million.

The final category of state tax revenue is business taxes paid. In order to estimate the amount of these taxes paid as a result of the Airport activities, we employ a methodology similar to the one used for the personal income tax. The Census Bureau provides estimates of the revenue raised by the state by the various business taxes such as the corporate income tax, the corporate franchise tax, and the like. Dividing the total of this revenue by total state personal income produces the proportion of income spent on these taxes. This proportion is then multiplied by the direct spending to produce an estimate of the amount of business tax revenue, \$2.48 million.

Table 7 lists the revenue raised by the various State collected taxes as a result of the activities of the Airport.

LOCAL TAX REVENUE

The methodology to estimate local tax revenue is very similar to that used to estimate State collected tax revenue. The only difference as it applies to the taxes paid on direct spending is that the tax rates are different. For the hotel-motel tax, the local tax rate is 5.75% (for the city of Kenner, the local rate is 2.05% based on the sharing formula for Jefferson Parish). For the general sales tax, the local tax rate in Jefferson Parish is 4.75% (for the city of Kenner, the local rate is 3% based on the sharing formula for Jefferson Parish, including the Airport Taxing District).

SALES TAX FROM AIRPORT GENERATED INCOME

Table 5 documents the income generated for area residents due to Airport activities. From that income, residents spend money in the local economy on goods and services that are taxable under the local sales tax rate of 4.75%. In 2003, the Airport created \$458.74 million in income for area residents. To determine the amount of local tax revenue generated, it is necessary to estimate the proportion of that income that is spent on taxable goods and services. As documented earlier, consumers spend approximately 48.52% of their income on commodities that are taxable under the Louisiana retail sales tax. Applying this proportion to the total income generated and then applying the sales tax rate of 4.75% yields local tax revenue of \$10.57 million.

HOTEL/MOTEL SALES

There are a number of hotels in Kenner that are "Airport" hotels and owe their existence to the Airport. According to a survey conducted for this study, there are a total of 2,830 hotel rooms in Airport hotels. As explained earlier in this report, the Airport hotels generated spending of \$55.1 million. The tax rate for hotel room nights in Jefferson parish is 5.75%. Applying these rates to the hotel spending yields \$3.99 million in local tax revenue from the hotel spending.

PROPERTY TAXES

The next category of tax revenue is property taxes. Approximately 3,761 Jefferson Parish residents work at the Airport (of those, there are 936 Kenner residents). These people rent or own homes in the Parish and therefore pay property taxes. (Note that it is well established in the literature in economics that landlords pass on their property taxes to renters.) Using the Census of Housing, we can determine the average housing value of a Jefferson Parish resident. Using that average value, we can determine the property taxes that will be paid to the parish. That figure for 2003 was \$0.97 million based on the Jefferson millage rate of approximately 100 mills and taking the homestead exemption into account.

Table 7 presents the tax revenues derived by state and local governments due to the economic activities that occur as a result of the Airport. In 2003, a total of \$36.04 million was generated for the state of Louisiana and \$35.38 million was produced for local governments in Jefferson Parish. Thus, total state and local tax revenue generated by the Airport and related business activities in 2003 was \$71.41 million. These are revenues that will recur every year and will grow as Airport activities increase over the next few years.

TABLE 7

TOTAL TAX REVENUE CREATED

(In millions of \$s)

<u>CATEGORY</u>	<u>INCOME</u>
State	
Direct	\$9.95
Income	\$7.18
Selective Sales	\$7.52
General Sales	\$8.90
Business	\$2.48
Total State	\$36.04
Local Sales	\$10.57
Local Direct	\$23.83
Local Property Taxes	\$0.97
Total Local	\$35.38
State Plus Local	\$71.41

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

IMPACT OF THE AIRPORT ON THE KENNER ECONOMY

The purpose of this section of the report is to estimate the impact of Airport operations on the Kenner economy. Theoretically, all of the economic impact of the Airport could be attributed to the City of Kenner since the Airport is located in Kenner and all spending occurs there. For this study however, we are much more conservative and only consider the following aspects of the total spending impact:

- A) The spending of the New Orleans Aviation Board, airline and related personnel who live in the Kenner;
- B) The spending of the New Orleans Aviation Board, the airlines and the air freight companies on local purchases;
- C) The spending of the New Orleans Aviation Board on Kenner firms that provide contractual services for the Board;
- D) The spending of "Airport" hotels and motels;
- E) The Kenner tax dollars generated by Airport activities.

The purpose of this section is to estimate the total dollar magnitude of the economic impact in each of these categories. Selected tables from Tables 1 through 6 will be replicated for the specific impact on the economy of the city of Kenner. Except where noted, the methodology for estimating the impact on Kenner is the same as that for the New Orleans area as a whole as described in this report.

TABLE 8

Total Airport Spending in Kenner by Category
(In Millions of \$s)

Industry	Direct	Secondary	Total
Salaries	\$19.39	\$24.07	\$43.46
Fuel Purchases	\$-	\$-	\$-
Non-Fuel Purchases	\$6.16	\$4.04	\$10.21
Rent	\$-	\$-	\$-
Equipment Purchases	\$1.35	\$2.65	\$3.99
Utilities	\$1.39	\$2.74	\$4.13
Contractual Services	\$28.84	\$56.76	\$85.60
State Taxes	\$-	\$-	\$-
Local Taxes	\$7.17	\$8.90	\$16.07
Other	\$10.88	\$13.50	\$24.38
Hotels	\$66.52	\$65.53	\$132.05
Construction	\$4.15	\$3.78	\$7.93
Total	\$145.85	\$181.97	\$327.82

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

TABLE 9

Airport Earnings & Employment in Kenner by Category
(Earnings in Millions of \$s)

Industry	Earnings	Employment
Salaries	\$26.08	608
Fuel Purchases	\$-	-
Non-Fuel Purchases	\$1.27	75
Rent	\$-	-
Equipment Purchases	\$0.28	16
Utilities, etc.	\$1.01	40
Contractual Services	\$20.89	823
State Taxes	\$-	-
Local Taxes	\$21.61	119
Other	\$14.63	180
Hotels	\$42.20	2,234
Construction	\$2.39	93
Total	\$130.35	4,189

* Totals may not add due to rounding.

Source: UNO Airport Questionnaire and Author's Calculations

TABLE 10

Total Tax Revenue Created in Kenner
(In millions of \$s)

CATEGORY	INCOME
Local Sales Taxes on Direct Sales	\$2.67
Local Sales Taxes on Income Generated	\$1.74
Sub-Total, Total State Sales Taxes	\$4.41
Local Hotel Taxes	\$3.99
Local Property Taxes	\$0.30
Total Kenner Taxes	\$8.71

* Totals may not add due to rounding.

As it was for the total economic impact, the impact of the Airport to the Kenner economy is driven by the direct spending. Direct spending for Kenner is presented in Table 8. The first category is salaries. The salary figures are derived by taking the proportion of total wages and salaries from Table 2 and separating out the proportion that is for Kenner residents. That proportion was determined by the number of badges given out by the Aviation Board to Kenner residents (note that all workers who work on Airport premises must receive a badge). The total wages and salaries paid to Kenner residents by all of the businesses operating at the Airport or related to the Airport in 2003 was \$19.39 million.

The second category is non-fuel local purchases. It was estimated that 20% of all non-fuel purchases are made from firms that have some kind of nexus in the city of Kenner. That could be a sales office, a warehouse, or similar facility. Total non-fuel purchases from Kenner firms in 2003 was \$6.16 million.

The third category is equipment purchases. It was estimated that 20% of all non-fuel purchases are made from firms that have some kind of nexus in the city of Kenner. That could be a sales office, a warehouse, or similar facility. Total equipment purchases from Kenner firms in 2003 was \$1.35 million.

The third category is contractual services. The dollar estimate for contractual services purchased from Kenner-based companies was derived directly from Aviation Board records. The total for 2003 was \$28.84 million.

The fourth category is local taxes. These are taxes paid directly or indirectly to Kenner city government. Based on the direct taxes on Airport spending and Airport related spending, the total in 2003 was approximately \$7.17 million.

The fifth category is "other" spending. This is a catch-all category that contains various miscellaneous expenditure items. The assumption is that 20% of all "other" spending was made from Kenner-based businesses. The total for 2003 in this category was \$10.88 million.

The sixth category is hotel spending. Since all of the hotels included in this analysis are located in Kenner, then the entire hotel spending is located in Kenner. The total dollar value of hotel spending in 2003 was \$66.52 million.

Finally, the last category is construction. The assumption for this category is that 14 of the construction companies are Kenner based. This is the same proportion as the total Airport employees who are Kenner residents. In 2003, this total was \$4.15 million.

Thus, in 2003, the total direct spending in the Kenner economy that was caused by the Airport and the business generated by the Airport was \$145.85 million. That direct spending creates secondary spending in the Kenner economy as it creates secondary spending in the New Orleans area economy. In 2003, the \$145.85 million in direct spending in Kenner created secondary spending of \$181.97 million, for a total economic impact upon the Kenner economy of \$327.82 million.

In addition to the spending identified above, the operations of the Airport create employment and earnings in Kenner. Based on the direct spending in Table 9 and the appropriately adjusted multipliers, the operations of the Airport supports annually 3,902 jobs in Kenner (some of these are jobs held by Kenner residents and some are jobs within the city that are held by non-Kenner residents). Total earnings or income created for Kenner residents by the operations of the Airport in 2003 were \$130.35 million.

Finally, the operations of the Airport and economic activities created by the Airport create tax revenues for Kenner city government. The taxes estimated here include the city sales tax, the city hotel tax, and the city property tax. For the hotel-motel tax, the local tax rate is 5.75% (for the city of Kenner, the local rate is 2.05% based on the sharing formula for Jefferson Parish). For the general sales tax, the local tax rate in Jefferson Parish is 4.75% (for the city of Kenner, the local rate is 3% based on the sharing formula for Jefferson Parish, including the Airport Taxing District). The general sales tax in Jefferson Parish is distributed in the following manner: 2.0% goes to the Jefferson Parish School Board, 2.5% is for general Parish government, and .25% is for law enforcement. Of the 2.5% Parish general tax, 2.33% is collected by the Sheriff and returned to the City of collection if it is collected within city limits; if it is collected in unincorporated areas it all goes to the Parish. The remaining .167% goes to the Parish regardless where it is collected. Thus, the City of Kenner receives 2.33% of all transactions that occur in the City of Kenner. In addition, the .25% Law Enforcement District tax is returned to the city of collection. The Jefferson Parish

Sheriff's Department collects the sales tax for the Parish and its cities and charges 11% of total tax collections to collect the tax. To get the net rate -- i.e., the revenue that the City of Kenner keeps after the Sheriff's commission has been paid -- we take the 2.58% minus 11% of 2.33%; that yields the net tax rate of 2.33%. In addition, there is currently a special taxing district established at the Airport. Under this district all in-terminal concession transactions at the Airport itself are subject to an additional sales tax at a rate of 2% -- of this one third, or .67%, goes to the City of Kenner. Thus, the sales of all concessions at the Airport are taxable by the City of Kenner at a net tax rate of 2.74%, which is the base rate of 2.08% plus the Airport Taxing District rate of .66%. In total, these tax sources generated \$8.71 million in tax revenue for the city of Kenner. This is on-going revenue that will recur annually as long as the Airport is located in the city of Kenner.

IMPACT OF THE AIRPORT ON THE ST. CHARLES PARISH ECONOMY

The purpose of this section of the report is to estimate the impact of Airport operations on the economy OF St. Charles. The following categories of spending are estimated for St. Charles Parish:

- A) The spending of the New Orleans Aviation Board, airline and related personnel who live in St. Charles;
- B) The spending of the New Orleans Aviation Board, the airlines and the air freight companies on local purchases;
- C) The spending of the New Orleans Aviation Board on St. Charles firms that provide contractual services for the Board;
- D) The St. Charles tax dollars generated by Airport activities.

The purpose of this section is to estimate the total dollar magnitude of the economic impact in each of these categories. Selected tables from Tables 1 through 6 will be replicated for the specific impact on the economy of the Parish. Except where noted, the methodology for estimating the impact on St. Charles is the same as that for the New Orleans area as a whole as described in this report.

TABLE 11

Total Airport Spending in St. Charles Parish by Category
(In Millions of \$s)

Industry	Direct	Secondary	Total
Salaries	\$10.00	\$12.41	\$22.42
Local Fuel Purchases	\$1.25	\$0.82	\$2.07
Local Non-Fuel Purchases	\$1.32	\$0.87	\$2.19
Rent	\$1.63	\$3.21	\$4.84
Equipment Purchases	\$0.43	\$0.85	\$1.29
Utilities	\$0.72	\$1.41	\$2.13
Contractual Services	\$3.71	\$7.31	\$11.02
State Taxes	\$0.49	\$0.60	\$1.09
Local Taxes	\$1.31	\$1.63	\$2.94
Other Spending	\$3.50	\$4.35	\$7.85
Construction	\$2.14	\$1.95	\$4.09
Total	\$26.51	\$35.42	\$61.93

* Totals may not add due to rounding

Source: UNO Airport Questionnaire and Author's Calculations

TABLE 12

Airport Earnings & Employment in St. Charles by Category
(Earnings in Millions of \$s)

Industry	Earnings	Employment
Salaries	\$13.45	314
Local Fuel Purchases	\$0.26	15
Local Non-Fuel Purchases	\$0.27	16
Rent	\$1.18	47
Equipment Purchases	\$0.09	5
Utilities	\$0.52	20
Contractual Services	\$2.69	106
State Taxes	\$0.65	8
Local Taxes	\$1.77	22
Other Spending	\$4.71	58
Construction	\$1.23	48
Total	\$26.82	659

* Totals may not add due to rounding.

Source: UNO Airport Questionnaire and Author's Calculations

TABLE 13

Total Tax Revenue Created In St. Charles
(In Millions of \$s)

Category	Income
Local Sales Taxes on Direct Sales	\$0.47
Local Sales Taxes on Income Generated	\$0.36
Sub-Total, Total State Sales Taxes	\$0.83
Local Property Taxes	\$0.16
Total Taxes	\$0.99

* Totals may not add due to rounding.

As it was for the total economic impact, the impact of the Airport to the St. Charles economy is driven by the direct spending. Direct spending for St. Charles is presented in Table 11. In 2003, the total direct spending in the St. Charles economy that was caused by the Airport and the business generated by the Airport was \$26.51 million. That direct spending creates secondary spending in the St. Charles economy as it creates secondary spending in the New Orleans area economy. In 2003, the \$26.51 million in direct spending created secondary spending of \$35.42 million, for a total economic impact upon the St. Charles economy of \$61.93 million.

In addition to the spending identified above, the operations of the Airport create employment and earnings in St. Charles. Based on the direct spending in Table 10 and the multipliers, the operations of the Airport supports 659 jobs in St. Charles (some of these are jobs held by St. Charles residents and some are jobs within the city that are held by non-Parish residents). Total earnings or income created for St. Charles residents by the operations of the Airport in 2003 were \$26.82 million.

Finally, the operations of the Airport and economic activities created by the Airport create tax revenues for St. Charles Parish government. The taxes estimated here include Parish sales tax, and the Parish property tax, and a portion (15%) of the taxes collected on in-terminal concession sales. In total, these tax sources generated \$0.99 million in tax revenue for the Parish.

CONCLUSION

The Louis Armstrong New Orleans International Airport is a very important part of the New Orleans area economy and is crucial to the economies of the City of Kenner and St. Charles Parish. Not only does the Airport serve as the gateway to the City for the local tourism industry, but it is important in its own right. It is a very significant part of the New Orleans economy; generating a total economic impact of \$1,093.83 million, supporting 12,471 jobs in the New Orleans area economy, and creating \$458.74 million in income or earnings for local residents.

The Airport also provides the foundation for the economy of the City of Kenner. Approximately 4,189 Kenner residents and employees owe their livelihood to the Airport and related activities. The Airport generates over \$130.35 million in income for Kenner residents. The Airport and its operations generate \$8.71 million annually in revenue for the City of Kenner. The Airport is clearly vital to the economic and fiscal health of the City of Kenner.

The Airport also provides a significant part of the economy of St. Charles Parish. Approximately 659 St. Charles residents and employees owe their livelihood to the Airport and related activities. The Airport generates over \$26.82 million in income for St. Charles residents. The Airport and its operations generate \$0.99 million annually in revenue for St. Charles Parish.

There is every reason to believe that the overall spending related to the Airport will increase substantially in the future because of increased Airport construction, the increased travel due to a rebounding of the national and local economy, the growth of the local tourism industry, and increased air service activities for New Orleans. As air cargo facilities are being expanded, many firms are seeking locations in Kenner and St. Charles Parish. All of which will make the Airport even more valuable to the New Orleans, Kenner and St. Charles economies.