Report of the Academic Action Plan Team: Economic Impact/Job Impact Statement

Action Plan Item Team: Lorraine Blackman, Henry Merrill, Roger Schmenner
March 27, 2007

The charge for this team was to develop a statement for the economic impact of the IUPUI which, if circulated widely, would be a useful way of describing the value added by the presence of a high quality educational institution.

Economic Impact

Fortunately, this issue is one that has attracted the attention of other universities, and indeed, it has attracted the attention of Indiana University which recently published President Herbert's report on the topic, entitled ***IU: Transforming Indiana*** (2007). Like other economic development studies, ones that deal with the impact of universities examine a number of things:

- The direct impact of initial university expenditures, including compensation and the university's purchase of goods and services
- The indirect or induced impact from the subsequent spending that the initial expenditures generate
- This indirect or induced impact also may include spending by students, typically seen as the students from out-of-state, given the assumption that in-state students would be spending their money in-state no matter what
- The impact from any construction on campus

The direct impact of initial university expenditures, derived from budget data, is the easy number to gather. (See the appendix for an array of budget and other data that provides a context for this report.) More difficult is measuring the indirect or induced impact that the initial spending ripples throughout the economy. Estimates vary on the appropriate "multiplier" that should be applied to the initial university expenditures. The difficulty springs from trying to subtract out the spending that would have occurred anyway, without the university's presence.

We have examined a number of reports on the economic impacts of universities. Each of them has a different "multiplier" to determine the indirect or induced impact. Here is a sampling of what we found:

Source	**Multiplier Used**
National Association of State Universities and Land-Grant Colleges: 1997	0.88
National Association of State Universities and Land-Grant Colleges: 2001	1.38
IU: Transforming Indiana: 2007	0.84

Wayne State (Anderson Economic Group): 2004	0.83
University of Wisconsin system: 2002	1.39
Cornell: 2007	0.93
UC Davis (Sedway Group): 2004	0.75 & 1.25
Boston Area Universities: 2003	0.79

As you can see, there is considerable divergence across the various studies as to which multiplier is more appropriate. The distinctions rest with different assumptions about the open or closed nature of the local economy (the more open, the lower the multiplier), the nature of the expenditure (wages vs. other expenditures, with the wages multiplier being the lower one), nature of spending by visitors (the more out-of-state the greater the multiplier), the source of the data and its analysis IMPlan [IMpact Analysis for PLANning, from the US Department of Agriculture] and RIMS II [Regional Input-Output Modeling System, from the US Bureau of Economic Analysis], and other factors.

The multiplier used by IU in its recent publication is on the conservative portion of this spectrum.

If we were to apply a conservative multiplier to the expenditures of the IUPUI campus, say 0.84, we would yield a result such as the following:

IUPUI operating budget, 2006-07	$1.041 B
Indirect and induced impact	0.845 B
Total budgetary impact	$1.89 B

One could add to this total impact with the on-campus construction which has been a routine, recent feature of life at IUPUI. A multiplier of between 0.7 and 0.8 would be a conservative multiplier to use, judging from the Cornell study that added construction spending to the operating budget items.

Job Impact

Much as there is a multiplier with the expenditures of the university, there is also a multiplier with the number of jobs. The recent UC Davis study gives a band of multipliers for jobs creation that runs from 0.65 newly created jobs per university job to 0.91 newly created jobs per university job. If we were to pick a middle ground of, say, 0.80, then the total IUPUI employment count of approximately 2200 people accounts for an additional 1760 jobs in Central Indiana.

Return on Investment

The economic impact studies that we have investigated have also indicated a return of investment for the appropriations that states have made to their state universities. The

study entitled ***Shaping the Future: The Economic Impact of Public Universities*** from the National Association of State Universities and Land-Grant Colleges (2001) estimated a return on state investment of 5. The ***IU: Transforming Indiana*** report lists a return on investment for IU at $6.14 for every dollar of state appropriation.

Summary

In sum, universities have been shown to be impressive economic engines for their host cities and states. They are magnets for out-of state spending and they have indirect and induced impacts that rival the direct impacts of the universities' operating budgets. And, these are the more easily measured impacts. They do not measure how society itself benefits from a better educated and more productive and innovative workforce.

Appendix: Context for IUPUI Economic Impact/Job Impact Statement

Operating Budget:

2006-07 IUPUI Total operating budget:	
Unrestricted	$ 637,579,147
Restricted	252,662,857
Auxillary enterprises:	151,433,669
Total:	1,041,675,673
State appropriation:	$ 208,996,707
Contract & grant expenditure 2005-06: $ 226,198,156	
In-state purchase orders 2005-06: $ 109,355,542 - total number of 24,985	

Categories of Employees in 2006-07:

Category	General Academic	Health	Total
Total full-time appointed employees (non-academic)	1921	2634	4555
Full-time faculty, lecturers & administrators	849	1303	2152
Total full-time	**2770**	**3937**	**7707**
Part-time faculty, lecturers & administrators	758	166	924

Payroll & taxes by county for 2005 (all IU employees - not just IUPUI):

County	Payroll - # of W-2s	State Tax	County Tax
Boone	17,086,128	581,315	165,230
Hamilton	48,626,944	1,651,410	466,939
Hancock	6,275,383	211,831	69,503
Hendricks	24,714,614	834,229	334,011
Johnson	19,422,130	655,152	187,895
Marion	256,736,223	8,602,017	1,750,384
Morgan	10,223,621	343,595	126,644
Shelby	1,691,956	57,608	20,618

Total construction from 1965-66 through 2005-06: $ 738,453,576
Recently completed & current construction projects*
Eskenazi Hall – Herron School of Art: $26.5 M Health Information and Translational Sciences Building: $42 million IUPUI Campus Center: $56 M IU Cancer Center Hospital: $150M Medical Research III Building: $83.3 M Riley Hospital Phase 5: $500 M over 10 years *Source IUPUI & IU School of Medicine media releases

Educating the workforce - degrees granted 2005-06

Degree	Indiana University	Purdue University	Total
Associate:	356	232	588
Baccalaureate:	2212	641	2853
Master's:	1393	168	1561
Doctoral:	62	1	63
Professional:	606	0	606

Student enrollment by county of origin Fall 2006:
Boone: 877
Hamilton: 4282
Hancock: 929
Hendricks: 2175
Johnson: 2093
Marion: 14240
Morgan: 807
Shelby: 487

Student enrollment by FT/PT status Fall 2006
Providing access to undergraduate and graduate degrees for working adults

Enrollment	Undergraduate	Graduate	Professional
Full-time:	13942	1508	2304
Part-time:	7521	4483	276

Total Student enrollment Fall 2006
Resident - 27,186; Non-resident - 2,578; Total - 29,764

Total student financial assistance 2005-06 (all enrollments): $ 243,301,713

Source for above data: http://factbook.indiana.edu/fbook06/fact_book_0607.pdf
(except where noted).