The economic impact of Central Lakes College
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Executive summary

Central Lakes College generates an annual economic impact of $95 million from its operations in the North Central region. Based on the North Central region economy of $5.2 billion, this means that for every $100 produced in the region, $2 are directly or indirectly related to Central Lakes College. The direct impact of the college in 2011 was $67 million, while the indirect impact in other industries was $29 million.

Similarly, during 2011 the college and its students generated an estimated 1,252 jobs in the North Central region. These jobs included an estimated 993 direct jobs, and 259 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students.

Additionally, by educating its students, Central Lakes College enhances the productivity of both public and private organizations in Minnesota. Only considering the 602 degrees awarded by Central Lakes College in 2011, this is equivalent to $56.3 million of future value created in the state.
Introduction

Central Lakes College campuses are located in Staples and Brainerd, in North Central Minnesota economic region. The largest programs are Liberal arts, Nursing, Heavy equipment operations and maintenance, Law enforcement, Computer technology, Natural resources, Business, Media technologies, Environmental, health and human services, Manufacturing, and Transportation. Students can choose from five different degrees: Certificate, Diploma, Associate in Arts, Associate in Science, and Associate in Applied Science.

Central Lakes College serves more than 6,000 students each year; over 50% of them are full-time students. In 2011 the college awarded 602 associate degrees and 349 diplomas and certificates. During the same year, the college had operational expenses of $35.8 million.

Central Lakes College is one of the 31 institutions in the Minnesota State Colleges and Universities (MnSCU) system; the largest single provider of higher education in the state of Minnesota. The colleges and universities operate 54 campuses in 47 Minnesota communities, serving 430,000 students in credit and non-credit courses, with about 34,700 graduates each year.

This report estimates the economic impact of Central Lakes College on the North Central region. Through its daily activities, the college generates economic value for the region in several ways. First, spending by the college and its students directly impacts the personal income, employment, and tax revenues of the state. Secondly, these expenditures generate an indirect effect; all Central Lakes College activities induce other organizations and businesses to spend more, creating what is known as a “multiplier effect.” Finally, by educating its students, the college enhances the productivity of both public and private organizations in Minnesota.
Data used in the analysis include:

- Central Lakes College operational expenditures, salaries and benefits from its 2011 financial statements

- Capital expenditures from the state’s bond projects that financed investments for Central Lakes College during 2010 to 2012 from the Minnesota Management & Budget office\(^1\)

- Estimates of Central Lakes College students’ spending. A survey of 106 students and their spending patterns was used in the IMPLAN model to estimate the direct and indirect effect of this spending for a given year\(^2\)

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\(^2\) The method used in the calculations of these impacts is the Input-Output model developed by IMPLAN. This method measures the direct impact of an organization’s spending in a particular region (a country, state or county) by estimating the inputs used by the organization and the multiplier effects in other industries in the region. For purposes of this study, the college’s expenditures and its indirect effects come from its operational activities, its capital investments, and its students’ spending.
Central Lakes College impact on the North Central region

Regional profile

During 2011, the North Central region had around 160 thousand residents (3 percent of the state’s population), with 89 thousand employees and a gross regional product of $5.2 billion (2 percent of the state’s total regional product). The main industries in the region, by employment levels, were education, government, food services and drinking places, and nursing and residential care facilities.

1. North Central regional profile 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>162,967</td>
</tr>
<tr>
<td>Total employment</td>
<td>89,565</td>
</tr>
<tr>
<td>Gross regional product</td>
<td>$5.2 billion</td>
</tr>
<tr>
<td>Average household income</td>
<td>$80,441</td>
</tr>
<tr>
<td>Per capita gross regional product</td>
<td>$31,125</td>
</tr>
</tbody>
</table>

Counties in the region: Cass County, Crow Wing County, Morrison County, Todd County, Wadena County

Economic impact of Central Lakes College on the North Central region

The annual economic impact of the Central Lakes College in the North Central region reaches $95 million (Figure 2). Based on the North Central region economy of $5.2 billion, this means that for every $100 produced in the North Central region, $2 are directly or indirectly related to Central Lakes College. The sources of these direct and indirect impacts are the institution’s operations ($47 million), and its students’ expenditures ($48 million).
2. Economic impact of Central Lakes College in the North Central region in 2011 ($ millions)

Real estate is the main industry sector impacted by Central Lakes College, with $29 million supported by the college. Other industries impacted by Central Lakes College are state and local government education (e.g. public universities), and food services and drinking places (e.g. restaurants, bars, etc.). Figure 3 below shows the top ten industries affected by Central Lakes College in 2011.

3. Top ten industries impacted by Central Lakes College in the North Central region in 2011 ($ millions)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate establishments</td>
<td>$29.0</td>
</tr>
<tr>
<td>State and local government education</td>
<td>$15.7</td>
</tr>
<tr>
<td>Food services and drinking places</td>
<td>$8.0</td>
</tr>
<tr>
<td>Child day care services</td>
<td>$4.5</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$3.7</td>
</tr>
<tr>
<td>Imputed rental activity for owner-occupied dwellings</td>
<td>$3.5</td>
</tr>
<tr>
<td>Medical and diagnostic labs and outpatient and other ambulatory care services</td>
<td>$2.1</td>
</tr>
<tr>
<td>Wholesale trade businesses</td>
<td>$2.0</td>
</tr>
<tr>
<td>Personal and household goods repair and maintenance</td>
<td>$1.7</td>
</tr>
<tr>
<td>Retail Stores - Food and beverage</td>
<td>$1.6</td>
</tr>
</tbody>
</table>

**Impact on jobs**

During 2011, Central Lakes College generated an estimated 1,252 jobs in the North Central region. These jobs include 993 direct jobs generated by the college and its students, and 259 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students (Figure 4).
4. Impact on employment of Central Lakes College in the North Central region in 2011 (jobs)

![Bar chart showing direct, indirect, and total employment impacts]

The sources of these direct and indirect impacts are the institution’s operations (681 jobs), and its students’ expenditures (581 jobs). A total of 531 jobs are created directly by the College’s operational activities (Figure 5).

5. Impact on employment of Central Lakes College in the North Central region by source (jobs)

<table>
<thead>
<tr>
<th>Source</th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational expenditures</td>
<td>531</td>
<td>140</td>
<td>671</td>
</tr>
<tr>
<td>Students’ spending</td>
<td>462</td>
<td>119</td>
<td>581</td>
</tr>
<tr>
<td>Investments</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>993</td>
<td>259</td>
<td>1,252</td>
</tr>
</tbody>
</table>

The same three industries mentioned before are also the most impacted by the college in its employment, directly or indirectly (Figure 6).

6. Top ten industries impacted by employment in 2011 (jobs)

- State and local government education: 502
- Food services and drinking places: 160
- Real estate establishments: 130
- Child day care services: 98
- Retail Stores - Food and beverage: 35
- Retail Stores - Clothing and clothing accessories: 29
- Personal and household goods repair and maintenance: 18
- Medical and diagnostic labs and outpatient and other ambulatory care services: 17
- Employment services: 14
- Retail Stores - General merchandise: 8
**Impact on taxes**

Central Lakes College generates about $5 million in tax revenues for state and local governments each year. Through its operational activities, its employees’ and students’ spending, Central Lakes College supports the activities of the North Central region by paying sales, property, and income taxes. Similarly, the college and its employees’ social insurance contributions add to the state tax revenues. Since Central Lakes College’s operational activities and spending create demand for other businesses and industry sectors, additional tax revenues come from businesses that serve the college. These taxes include sales, income, and property taxes, along with others, such as corporate taxes.

**Benefits beyond operations: enhanced productivity**

By educating its students, Central Lakes College enhances the productivity of both public and private organizations in Minnesota. Its alumni provide the skills and knowledge needed to improve the functioning of many organizations in the state.

Since performing a direct measurement of the contribution of graduates to Minnesota businesses and governments is not feasible, we estimate the additional earnings of graduates as a result of their training. This measure of additional earnings is equivalent to estimating the increase in productivity due to students’ education; the students are able to earn more as they better fit the needs of businesses and government.

Only considering the 602 associate degrees awarded by Central Lakes College in 2011, this is equivalent to $56.3 million of future value created in the state. Unlike previous estimations in this report, this is an additional value to the state, not just the region, since we cannot know where the students live after graduation.³

Some studies present the enhanced productivity without discounting the future income received by students (for example, the Tripp Umbach study for the University of Minnesota). If we calculate the additional future earnings in this way, the economic benefit from enhanced productivity reaches $100 million.⁴

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³ This estimation assumes 40 years of work life, a discount rate of 3 percent and two important parameters. The first one is that the total is adjusted by 30 percent (similar to Tripp Umback’s 2011 report for the University of Minnesota), to allow for the forgone income while attending the college or university, future periods of unemployment, time out of the labor force, and other events. The second parameter included in the estimation is that 80 percent of students stay in the state after graduation (MnSCU Amazing Facts, 2010). The economic value created by the enhanced productivity of students should consider only those students staying in the state; if they leave there is not economic impact for Minnesota in the years following their graduation.

⁴ Tripp Umbach (2011). The Economic and Societal Impact of the University of Minnesota.