

The economic impact of Fond du Lac Tribal and Community College

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Executive summary

Fond du Lac Tribal and Community College generates an annual economic impact of \$38 million from its operations in the Arrowhead region. Based on the Arrowhead region economy of \$14.8 billion, this means that for every \$100 produced in the region, \$3 are directly or indirectly related to Fond du Lac Tribal and Community College. The direct impact of the college in 2011 was \$26 million, while the indirect impact in other industries was \$12 million.

Similarly, during 2011 the college and its students generated an estimated 459 jobs in the Arrowhead region. These jobs included an estimated 355 direct jobs, and 104 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students.

Additionally, by educating its students, Fond du Lac Tribal and Community College enhances the productivity of both public and private organizations in Minnesota. Only considering the 203 degrees awarded by Fond du Lac Tribal and Community College in 2011, this is equivalent to \$12.3 million of future value created in the state.

Introduction

Fond du Lac Tribal and Community College is located in Cloquet, Minnesota, part of the Arrowhead region. The college is a unique institution, created by the Minnesota Legislature in 1987 and chartered as a tribal college by the Fond du Lac Reservation that same year. It offers two-year associate degrees and certificates across a wide range of program areas, including Law Enforcement, Human Services, Nursing, Business, Clean Energy, Early Childhood Development, and Environmental Science. Students can choose to work toward a two-year Associate of Arts, Associate of Applied Science, Associate of Science, or Associate of Fine Arts degree.

The college serves more than 2,800 students each year. In 2011 the college awarded 203 associate degrees and 124 diplomas and certificates. During the same year, the college had operational expenses of \$12.8 million.

Fond du Lac Tribal and Community 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 Fond du Lac Tribal and Community College on the Arrowhead 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 Fond du Lac Tribal and Community 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:

- Fond du Lac Tribal and Community College operational expenditures, salaries and benefits from its 2011 financial statements
- Capital expenditures from the state's bond projects that financed investments for Fond du Lac College during 2010 to 2012 from the Minnesota Management & Budget office¹
- Estimates of Fond du Lac Tribal and Community College students' spending. A survey of 47 students and their spending patterns was used in the IMPLAN model to estimate the direct and indirect effect of this spending for a given year²

¹ Minnesota Management and Budget (2012). Bond's Proceeds Report. Retrieve at <http://www.mmb.state.mn.us/doc/bonds/proceeds/mnscu-bonds-fund-4020-FY10.pdf>

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.

Fond du Lac Tribal and Community College impact on the Arrowhead region

Regional profile

During 2011, the Arrowhead region had around 326 thousand residents (approximately 6 percent of the state's population), with 181 thousand employees and a gross regional product of \$14.8 billion (6 percent of the state's total regional product). The main industries in the region, by employment levels, were education, food services and drinking places, private hospitals, and nursing and residential care facilities.

1. Arrowhead regional profile 2011

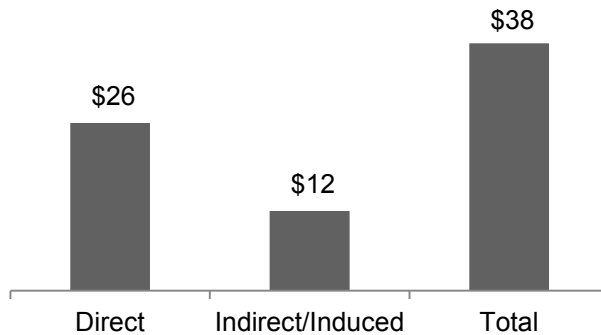
Population	326,219
Total employment	181,265
Gross regional product	\$14.8 billion
Average household income	\$83,744
Per capita gross regional product	\$45,360

Counties in the region: Aitkin County, Carlton County, Cook County, Itasca County, Koochiching County, Lake County, St. Louis County

Economic impact of Fond du Lac Tribal and Community College on the Arrowhead region

The annual economic impact of the Fond du Lac Tribal and Community College in the Arrowhead region reaches \$38 million (Figure 2). Based on the Twin Cities metro economy of \$190.7 billion, this means that for every \$100 produced in the Arrowhead region, \$3 are directly or indirectly related to Fond du Lac Tribal and Community College. The sources of these direct and indirect impacts are the institution's operations (\$18 million), students' expenditures (\$20 million), and investments (\$20,088).

2. Economic impact of Fond du Lac Tribal and Community College in the Arrowhead region in 2011 (\$ millions)



Real estate is the main industry sector impacted by Fond du Lac Tribal and Community College, with \$10.3 million supported by the College. Other industries impacted by Fond du Lac Tribal and Community 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 Fond du Lac Tribal and Community College in 2011.

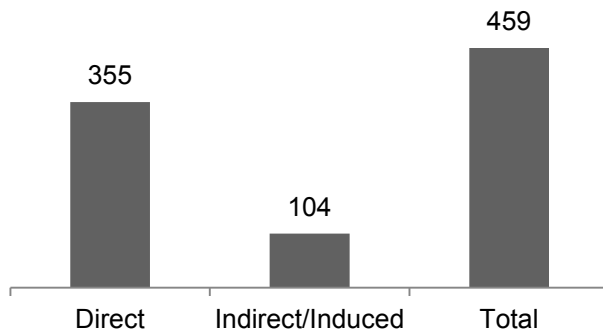
3. Top ten industries impacted by Fond du Lac Tribal and Community College in the Arrowhead region in 2011 (\$ millions)

Real estate establishments	10.3
State and local government education	5.9
Food services and drinking places	3.5
Child day care services	1.6
Telecommunications	1.5
Imputed rental activity for owner-occupied dwellings	1.4
Medical and diagnostic labs and outpatient and other ambulatory care services	1.0
Wholesale trade businesses	0.9
Personal and household goods repair and maintenance	0.8
Retail Stores - Food and beverage	0.7

Impact on jobs

During 2011, Fond du Lac Tribal and Community College generated an estimated 459 jobs in the Arrowhead region. These jobs include 355 direct jobs generated by the college and its students, and 104 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the college and its students (Figure 4).

4. Impact on employment of Fond du Lac Tribal and Community College in the Arrowhead region in 2011 (jobs)



The sources of these direct and indirect impacts are the institution’s operations (230 jobs), and students’ expenditures (229 jobs). A total of 593 jobs are created directly by the college’s operational activities (Figure 5).

5. Impact on employment of Fond du Lac Tribal and Community College in the Arrowhead region by source (jobs)

	Direct	Indirect	Total
Operational expenditures	175	55	230
Students' spending	180	49	229
Investments	0	0	0
Total	355	104	459

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	166
Food services and drinking places	66
Real estate establishments	41
Child day care services	37
Retail Stores - Food and beverage	14
Retail Stores - Clothing and clothing accessories	12
Personal and household goods repair and maintenance	9
Medical and diagnostic labs and outpatient and other ambulatory care services	8
Employment services	6
Retail Stores - General merchandise	4

Impact on taxes

Fond du Lac Tribal and Community College generates about \$2 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, Fond du Lac Tribal and Community College supports the activities of the Arrowhead region by paying sales, property, and income taxes. Similarly, the college and its employees' social insurance contributions add to the state tax revenues. Since Fond du Lac Tribal and Community 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, Fond du Lac Tribal and Community 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 chose to estimate this by estimating 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 203 associate degrees awarded by Fond du Lac Tribal and Community College in 2011, this is equivalent to \$12.3 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 \$21 million.⁴

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 Umbach'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*.