

The economic impact of Minnesota State University, Mankato

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Executive summary

Minnesota State University, Mankato generates an annual economic impact of \$452 million from its operations in the South Central region. Based on the South Central region economy of \$9.8 billion, this means that for every \$100 produced in the region, \$5 are directly or indirectly related to Minnesota State University, Mankato. The direct impact of the university in 2011 was \$310 million, while the indirect impact in other industries was \$142 million.

Similarly, during 2011 the university and its students generated an estimated 5,888 jobs in the South Central region. These jobs included an estimated 4,666 direct jobs, and 1,222 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the university and its students.

Additionally, by educating its students, Minnesota State University, Mankato enhances the productivity of both public and private organizations in Minnesota. Only considering the 2,810 degrees awarded by Minnesota State University, Mankato in 2011, this is equivalent to \$552.6 million of future value created in the state.

Introduction

Minnesota State University, Mankato is located approximately 85 miles southwest of the Twins Cities of Minneapolis and St. Paul. The university sits atop 303 acres overlooking the Minnesota River Valley, and it serves students with classes in more than 130 undergraduate programs of study, including 13 pre-professional, 46 undergraduate and graduate certificate, one associate and 134 bachelor's degree programs; and more than 70 graduate programs including master's, specialist and doctoral programs.

Minnesota State University, Mankato has more than 15,000 students registered each year, including more than 600 international students from approximately 75 countries. The university also has more than 1,500 faculty and staff, including more than 700 teaching faculty, 80 percent with terminal degrees. In 2011 the university awarded 50 associate degrees, 2,202 bachelor's degrees, 605 master's and post-master's degrees, and three doctorate degrees. During the same year, Minnesota State University, Mankato had operational expenses of \$185 million.

Minnesota State University, Mankato 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 Minnesota State University, Mankato on the South Central region. Through its daily activities, the university generates economic value for the region in several ways. First, spending by the university and its students directly impacts the personal income, employment, and tax revenues of the state. Secondly, these expenditures generate an indirect effect; all Minnesota State University, Mankato activities induce other organizations and businesses to spend more, creating what is known as a "multiplier effect." Finally, by educating its students, the university enhances the productivity of both public and private organizations in Minnesota.

Data used in the analysis include:

- Minnesota State University, Mankato operational expenditures, salaries and benefits from its 2011 financial statements

- Capital expenditures from the state’s bond projects that financed investments for Minnesota State University, Mankato during 2010 to 2012 from the Minnesota Management & Budget office¹
- Estimates of Minnesota State University, Mankato students’ spending. A survey of 349 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 university’s expenditures and its indirect effects come from its operational activities, its capital investments, and its students’ spending.

Minnesota State University, Mankato impact on the South Central region

Regional profile

During 2011, the South Central region had around 230 thousand residents (approximately 4 percent of the state's population), with 147 thousand employees and a gross regional product of \$9.8 billion (4 percent of the state's total regional product). The main industries in the region, by employment levels, were education, food services and drinking places, animal production, and grain farming.

1. South Central regional profile 2011

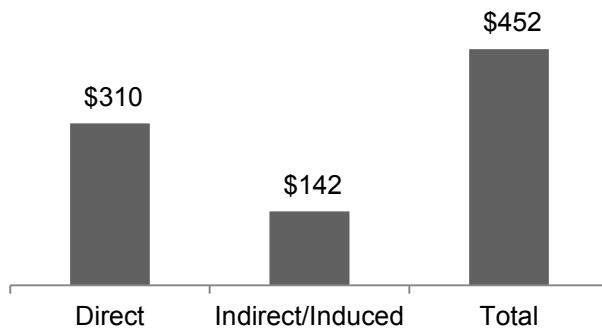
Population	231,434
Total employment	147,333
Gross regional product	\$9.8 billion
Average household income	\$91,701
Per capita gross regional product	\$42,185

Counties in the region: Blue Earth County, Brown County, Faribault County, Le Sueur County, Martin County, Nicollet County, Sibley County, Waseca County, Watonwan County.

Economic impact of Minnesota State University, Mankato on the South Central region

The annual economic impact of the Minnesota State University, Mankato in the South Central region reaches \$452 million (Figure 2). Based on the South Central region economy of \$9.8 billion, this means that for every \$100 produced in the South Central region, \$5 are directly or indirectly related to Minnesota State University, Mankato. The sources of these direct and indirect impacts are the institution's operations (248 million), students' expenditures (202 million), and investments (2 million).

2. Economic impact of Minnesota State University, Mankato in the South Central region in 2011 (\$ millions)



Real estate is the main industry sector impacted by Minnesota State University, Mankato, with \$150 million supported by the university. Other industries impacted by Minnesota State University, Mankato 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 Minnesota State University, Mankato in 2011.

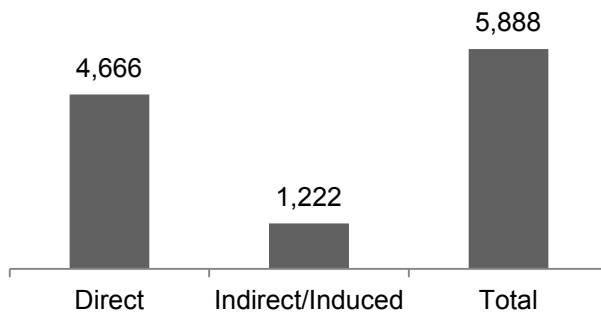
3. Top ten industries impacted by Minnesota State University, Mankato in the South Central region in 2011 (\$ millions)

Real estate establishments	150.2
State and local government education	59.3
Food services and drinking places	33.9
Child day care services	26.6
Telecommunications	17.8
Imputed rental activity for owner-occupied dwellings	16.1
Medical and diagnostic labs and outpatient and other ambulatory care services	10.0
Wholesale trade businesses	7.2
Personal and household goods repair and maintenance	7.0
Retail Stores - Food and beverage	5.3

Impact on jobs

During 2011, Minnesota State University, Mankato generated an estimated 5,888 jobs in the South Central region. These jobs include 4,666 direct jobs generated by the university and its students, and 1,222 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the university and its students (Figure 4).

4. Impact on employment of Minnesota State University, Mankato in the South Central region in 2011 (jobs)



The sources of these direct and indirect impacts are the institution's operations (3,334 jobs), students' expenditures (2,538 jobs), and investments (15 jobs).

5. Impact on employment of Minnesota State University, Mankato in the South Central region by source (jobs)

	Direct	Indirect	Total
Operational expenditures	2,603	732	3,335
Students' spending	2,052	486	2,538
Investments	11	4	15
Total	4,666	1,222	5,888

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

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

State and local government education	2,460
Food services and drinking places	767
Real estate establishments	685
Child day care services	347
Retail Stores - Food and beverage	142
Retail Stores - Clothing and clothing accessories	97
Personal and household goods repair and maintenance	62
Medical and diagnostic labs and outpatient and other ambulatory care services	57
Employment services	48
Retail Stores - General merchandise	42

Impact on taxes

Minnesota State University, Mankato generates about \$25 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, Minnesota State University, Mankato supports the activities of the South Central region by paying sales, property, and income taxes. Similarly, the University and its employees' social insurance contributions add to the state tax revenues. Since Minnesota State University, Mankato's operational activities and spending create demand for other businesses and industry sectors additional tax revenues come from businesses that serve the University. These taxes include sales, income, and property taxes, along with others, such as corporate taxes.

Benefits beyond operations: enhanced productivity

By educating its students, Minnesota State University, Mankato 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 2,810 bachelor's, master's, post master's, and doctorate degrees awarded by Minnesota State University, Mankato in 2011, this is equivalent to \$552.6 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 \$956 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.