

The economic impact of Metropolitan State University

FEBRUARY 2013

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February 2013

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Executive summary

Metropolitan State University generates an annual economic impact of \$264 million from its operations in the Twin Cities. Based on the Twin Cities metro economy of \$190.7 billion, this means that for every \$1,000 produced in the Twin Cities metro area, \$14 are directly or indirectly related to Metropolitan State University. The direct impact of Metropolitan State University in 2011 was \$154 million, while the indirect impact in other industries was \$110 million.

Similarly, during 2011 the university and its students generated an estimated 2,605 jobs in the Twin Cities. These jobs included an estimated 1,836 direct jobs, and 769 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the university and its students.

Additionally, by educating its students, Metropolitan State University enhances the productivity of both public and private organizations in Minnesota. Only considering the 1,730 bachelor's degrees awarded by Metropolitan State University in 2011, this is equivalent to \$579 million of future value created in the state.

Introduction

Metropolitan State University is located in four metro-area campuses (in Saint Paul, Minneapolis; the Midway area, and Brooklyn Park). The university offers classes across the metropolitan area at 32 sites, including at two-year university campuses and professional sites. The university has over 50 undergraduate majors, as well as 11 master's programs and applied doctoral programs in nursing and business administration.

Metropolitan State University has approximately 11,000 students served each year. In 2011 the university awarded 1,739 bachelor's degrees, 203 master's degrees, and eight doctorate degrees. During the same year, Metropolitan State University had operational expenses of \$65.1 million.

Metropolitan State University 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 Metropolitan State University on the Twin Cities metro area. Through its daily activities, Metropolitan State University generates economic value for the Twin Cities 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 Metropolitan State University 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:

- Metropolitan State University operational expenditures, salaries and benefits from its 2011 financial statements
- Capital expenditures from the state's bond projects that financed investments for Metropolitan State University during 2010 to 2012 from the Minnesota Management & Budget office¹
- Estimates of Metropolitan State University students' spending. A survey of 466 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, Metropolitan State University's expenditures and its indirect effects come from its operational activities, its capital investments, and its students' spending.

Metropolitan State University impact on the Twin Cities metro area

Regional profile

During 2011, the seven-county metro area had 2.8 million residents (54 percent of the state's population), with 2 million employees and a gross regional product of \$190.7 billion (66 percent of the state's total regional product). The main industries in the region, by employment levels, were food services and drinking places, education, and government.

1. Twin Cities regional profile 2011

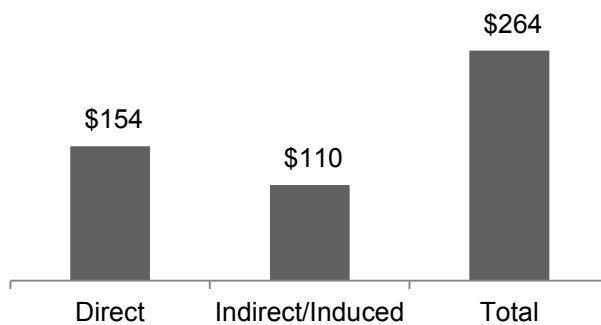
| | |
|-----------------------------------|-----------------|
| Population | 2,884,747 |
| Total employment | 2,031,089 |
| Gross regional product | \$190.7 billion |
| Average household income | \$127,779 |
| Per capita gross regional product | \$66,103 |

Counties in the region: Anoka, Ramsey, Hennepin, Washington, Dakota, Carver, and Scott

Economic impact of Metropolitan State University on the seven-county metro area

The annual economic impact of the Metropolitan State University in the metro area reaches \$264 million (Figure 2). Based on the Twin Cities metro economy of \$190.7 billion, this means that for every \$1,000 produced in the Twin Cities, \$14 are directly or indirectly related to Metropolitan State University. The sources of these direct and indirect impacts are the institution's operations (\$110 million), students' expenditures (\$152 million), and Metropolitan State University investments (1.7 million).

2. Economic impact of Metropolitan State University in the Twin Cities metro in 2011 (\$ millions)



Real estate is the main industry sector impacted by Metropolitan State University, with \$56.1 million supported by the university. Other industries impacted by Metropolitan State University 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 Metropolitan State University in 2011.

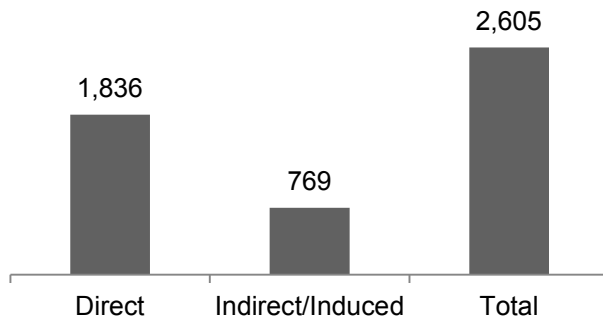
3. Top ten industries impacted by Metropolitan State University in the Twin Cities in 2011 (\$ millions)

| | |
|---|------|
| Real estate establishments | 56.1 |
| State and local government education | 46.3 |
| Food services and drinking places | 19.4 |
| Child day care services | 13.4 |
| Telecommunications | 8.2 |
| Imputed rental activity for owner-occupied dwellings | 7.9 |
| Medical and diagnostic labs and outpatient and other ambulatory care services | 5.4 |
| Wholesale trade businesses | 4.9 |
| Personal and household goods repair and maintenance | 4.3 |
| Retail Stores - Food and beverage | 3.3 |

Impact on jobs

During 2011, Metropolitan State University generated an estimated 2,605 jobs in the Twin Cities. These jobs include 1,836 direct jobs generated by the university and its students, and 769 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the university and its students (Figure 4).

4. Impact on employment of Metropolitan State University in the Twin Cities metro in 2011 (jobs)



The sources of these direct and indirect impacts are the institution’s operations (1,158 jobs), students’ expenditures (1,454 jobs), and Metropolitan State University investments (12 jobs). A total of 821 jobs are created directly by the university’s operational activities (Figure 5).

5. Impact on employment of Metropolitan State University in the Twin Cities metro by source (jobs)

| | Direct | Indirect | Total |
|--------------------------|--------|----------|-------|
| Operational expenditures | 821 | 337 | 1,158 |
| Students' spending | 1,008 | 427 | 1,435 |
| Investments | 7 | 5 | 12 |
| Total | 1,836 | 769 | 2,605 |

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 | 766 |
| Food services and drinking places | 334 |
| Real estate establishments | 303 |
| Child day care services | 268 |
| Retail Stores - Food and beverage | 145 |
| Retail Stores - Clothing and clothing accessories | 39 |
| Personal and household goods repair and maintenance | 38 |
| Medical and diagnostic labs and outpatient and other ambulatory care services | 33 |
| Employment services | 24 |
| Retail Stores - General merchandise | 16 |

Impact on taxes

Metropolitan State University generates about \$15 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, Metropolitan State University supports the activities of the seven-county metro area by paying sales, property, and income taxes. Similarly, Metropolitan State University and its employees' social insurance contributions add to the state tax revenues. Since Metropolitan State University'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, Metropolitan State University 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 1,730 bachelor's degrees awarded by Metropolitan State University in 2011, this is equivalent to \$579 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 \$1 billion.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*.