

The economic impact of St. Cloud State University

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Executive summary

St. Cloud State University generates an annual economic impact of \$519 million from its operations in the Central region. Based on the Central region economy of \$14.2 billion, this means that for every \$100 produced in the region, \$4 are directly or indirectly related to St. Cloud State University. The direct impact of the university in 2011 was \$349 million, while the indirect impact in other industries was \$170 million.

Similarly, during 2011 the university and its students generated an estimated 6,579 jobs in the Central region. These jobs included an estimated 5,060 direct jobs, and 1,519 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the university and its students.

Additionally, by educating its students, St. Cloud State University enhances the productivity of both public and private organizations in Minnesota. Only considering the 3,284 degrees awarded by St. Cloud State University in 2011, this is equivalent to \$586 million of future value created in the state.

Introduction

St. Cloud State University is located in a 100-acre campus between downtown St. Cloud and the Beaver Islands, a group of more than 30 islands that form a natural maze for a two-mile stretch of the Mississippi River. St. Cloud State offers 175 undergraduate and graduate programs of study, including two doctoral programs in education.

St. Cloud State University has more than 16,000 students registered each year coming from every part of the state, the country, and more than 80 nations. In 2011 the university awarded 123 associate degrees, 2,475 bachelor's degrees, 500 master's and post-master's degrees, and 1 doctorate degree. During the same year, St. Cloud State University had operational expenses of \$200 million.

St. Cloud 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 St. Cloud State University on the 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 St. Cloud 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:

- St. Cloud State University operational expenditures, salaries, and benefits from its 2011 financial statements
- Capital expenditures from the state's bond projects that financed investments for St. Cloud State University during 2010 to 2012 from the Minnesota Management & Budget office¹
- Estimates of St. Cloud State University students' spending. A survey of 462 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.

St. Cloud State University impact on the Central region

Regional profile

During 2011, the Central region had around 400 thousand residents (close to 8 percent of the state's population), with 211 thousand employees and a gross regional product of \$14.2 billion (5 percent of the state's total regional product). The main industries in the region, by employment levels, were food services and drinking places, education, government, and wholesale trade businesses.

1. Central regional profile 2011

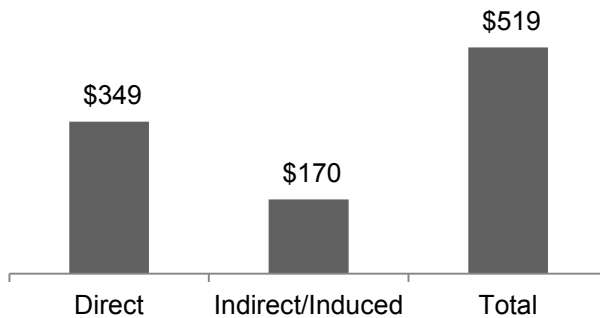
Population	405,770
Total employment	211,512
Gross regional product	\$14.2 billion
Average household income	\$93,708
Per capita gross regional product	\$35,152

Counties in the region: Benton County, Sherburne County, Stearns County, Wright County.

Economic impact of St. Cloud State University on the Central region

The annual economic impact of the St. Cloud State University in the Central region reaches \$519 million (Figure 2). Based on the Central region economy of \$14.2 billion, this means that for every \$100 produced in the Central region, \$4 are directly or indirectly related to St. Cloud State University. The sources of these direct and indirect impacts are the institution's operations (\$277 million), students' expenditures (\$240 million), and investments (\$2 million).

2. Economic impact of St. Cloud State University in the Central region in 2011 (\$ millions)



Real estate is the main industry sector impacted by St. Cloud State University, with \$165 million supported by the University. Other industries impacted by St. Cloud 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 St. Cloud State University in 2011.

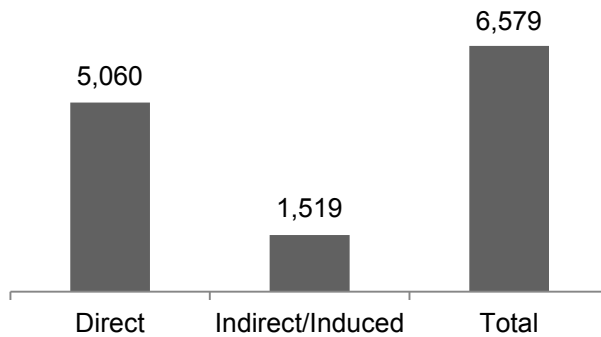
3. Top ten industries impacted by St. Cloud State University in the Central region in 2011 (\$ millions)

Real estate establishments	165.4
State and local government education	76.9
Food services and drinking places	39.7
Child day care services	29.6
Telecommunications	20.3
Imputed rental activity for owner-occupied dwellings	10.5
Medical and diagnostic labs and outpatient and other ambulatory care services	9.9
Wholesale trade businesses	9.0
Personal and household goods repair and maintenance	7.2
Retail Stores - Food and beverage	6.5

Impact on jobs

During 2011, St. Cloud State University generated an estimated 6,579 jobs in the Central region. These jobs include 5,060 direct jobs generated by the University and its students, and 1,519 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the University and its students (Figure 4).

4. Impact on employment of St. Cloud State University in the Central region in 2011 (jobs)



The sources of these direct and indirect impacts are the institution's operations (3,646 jobs), students' expenditures (2,916 jobs), and investments (17 jobs). A total of 821 jobs are created directly by the University's operational activities (Figure 5).

5. Impact on employment of St. Cloud State University in the Central region by source (jobs)

	Direct	Indirect	Total
Operational expenditures	2,764	882	3,646
Students' spending	2,285	631	2,916
Investments	12	5	17
Total	5,061	1,518	6,579

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	2,610
Food services and drinking places	823
Real estate establishments	771
Child day care services	481
Retail Stores - Food and beverage	152
Retail Stores - Clothing and clothing accessories	112
Personal and household goods repair and maintenance	79
Medical and diagnostic labs and outpatient and other ambulatory care services	75
Employment services	66
Retail Stores - General merchandise	43

Impact on taxes

St. Cloud State University generates about \$29 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, St. Cloud State University supports the activities of the 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 St. Cloud 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, St. Cloud 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 3,284 associate, bachelor's, master's, post master's, and doctorate degrees awarded by St. Cloud State University in 2011, this is equivalent to \$586 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.