

# The economic impact of Southwest Minnesota State University

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# Contents

Executive summary.....	1
Introduction.....	2
Southwest Minnesota State University impact on the South West region.....	4
Regional profile .....	4
Economic impact of Southwest Minnesota State University on the South West region .....	4
Impact on jobs.....	5
Impact on taxes .....	7
Benefits beyond operations: enhanced productivity.....	7

# Figures

1. South West regional profile 2011.....	4
2. Economic impact of Southwest Minnesota State University in the South West region in 2011 (\$ millions).....	5
3. Top ten industries impacted by Southwest Minnesota State University in the South West region in 2011 (\$ millions) .....	5
4. Impact on employment of Southwest Minnesota State University in the South West region in 2011 (jobs) .....	6
4. Impact on employment of Southwest Minnesota State University in the South West region by source (jobs).....	6
5. Top ten industries impacted by employment in 2011 (jobs).....	6

# Executive summary

Southwest Minnesota State University generates an annual economic impact of \$141 million from its operations in the South West region. Based on the South West region economy of \$5.5 billion, this means that for every \$100 produced in the region, \$3 are directly or indirectly related to Southwest Minnesota State University. The direct impact of the university in 2011 was \$106 million, while the indirect impact in other industries was \$35 million.

Similarly, during 2011 the university and its students generated an estimated 1,898 jobs in the South West region. These jobs included an estimated 1,594 direct jobs, and 304 additional indirect jobs, created by vendors, contractors, and business supplying inputs to the university and its students.

Additionally, by educating its students, Southwest Minnesota State University enhances the productivity of both public and private organizations in Minnesota. Only considering the 748 degrees awarded by Southwest Minnesota State University in 2011, this is equivalent to \$185 million of future value created in the state.

# Introduction

Southwest Minnesota State University is located in the city of Marshall, in southwest Minnesota economic region. The university is divided into two major Colleges, the College of Arts, Letters, and Sciences, and the College of Business, Education, and Professional Studies. The most popular majors are Business Administration and Education, from over 45 undergraduate degrees. Southwest Minnesota State University has 3 graduate programs in education and businesses administration.

The school has a full-time enrollment of approximately 3,700 students registered each year. The university also has approximately 148 faculty members. In 2011 the university awarded 481 bachelor's degrees and 253 master's degrees. During the same year, Southwest Minnesota State University had operational expenses of \$47.3 million.

Southwest Minnesota 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 Southwest Minnesota State University on the South West 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 Southwest Minnesota 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:

- Southwest Minnesota State University operational expenditures, salaries, and benefits from its 2011 financial statements
- Capital expenditures from the state's bond projects that financed investments for Southwest Minnesota State University during 2010 to 2012 from the Minnesota Management & Budget office<sup>1</sup>
- Estimates of Southwest Minnesota State University students' spending. A survey of 122 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<sup>2</sup>

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<sup>1</sup> 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>

<sup>2</sup> 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.

# Southwest Minnesota State University impact on the South West region

## *Regional profile*

During 2011, the South West region had around 118 thousand residents (approximately 2 percent of the state's population), with 82 thousand employees and a gross regional product of \$5.5 billion (2 percent of the state's total regional product). The main industries in the region, by employment levels, were grain farming, education, animal production, and government.

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### 1. South West regional profile 2011

Population	118,713
Total employment	82,375
Gross regional product	\$5.5 billion
Average household income	\$102,682
Per capita gross regional product	\$46,508

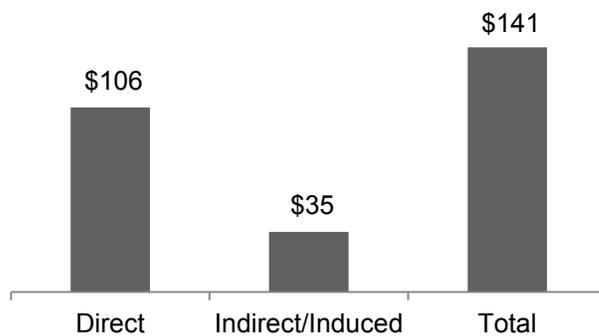
*Counties in the region: Cottonwood County, Jackson County, Lincoln County, Lyon County, Murray County, Nobles County, Pipestone County, Redwood County, Rock County*

## *Economic impact of Southwest Minnesota State University on the South West region*

The annual economic impact of the Southwest Minnesota State University in the South West region reaches \$141 million (Figure 2). Based on the South West region economy of \$5.5 billion, this means that for every \$100 produced in the South West region, \$3 are directly or indirectly related to Southwest Minnesota State University. The sources of these direct and indirect impacts are the institution's operations (\$56 million), students' expenditures (\$84 million), and investments (\$1 million).

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**2. Economic impact of Southwest Minnesota State University in the South West region in 2011 (\$ millions)**



Real estate is the main industry sector impacted by Southwest Minnesota State University, with \$37 million supported by the University. Other industries impacted by Southwest Minnesota 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 Southwest Minnesota State University in 2011.

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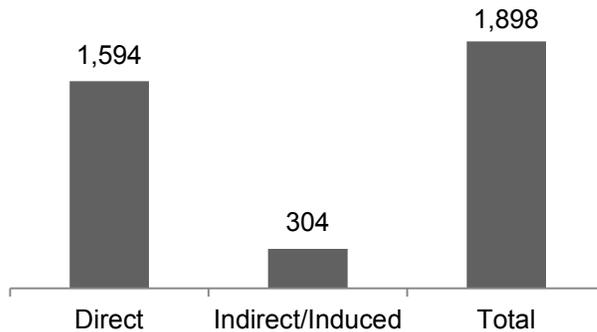
**3. Top ten industries impacted by Southwest Minnesota State University in the South West region in 2011 (\$ millions)**

Real estate establishments	37.3
State and local government education	23.7
Food services and drinking places	13.1
Child day care services	9.9
Telecommunications	7.7
Imputed rental activity for owner-occupied dwellings	4.7
Medical and diagnostic labs and outpatient and other ambulatory care services	4.0
Wholesale trade businesses	3.3
Personal and household goods repair and maintenance	3.0
Retail Stores - Food and beverage	2.5

***Impact on jobs***

During 2011, Southwest Minnesota State University generated an estimated 1,898 jobs in the South West region. These jobs include 1,594 direct jobs generated by the University and its students, and 304 additional indirect jobs, created by vendors, contractors, and businesses supplying inputs to the University and its students (Figure 4).

**4. Impact on employment of Southwest Minnesota State University in the South West region in 2011 (jobs)**



The sources of these direct and indirect impacts are the institution’s operations (844 jobs), students’ expenditures (1,043 jobs), and investments (11 jobs). A total of 705 jobs are created directly by the University’s operational activities (Figure 5).

**4. Impact on employment of Southwest Minnesota State University in the South West region by source (jobs)**

	Direct	Indirect	Total
Operational expenditures	705	139	844
Students' spending	880	163	1,043
Investments	9	2	11
Total	1,594	304	1,898

The same three industries mentioned before are also the most impacted by the University in its employment, directly or indirectly (Figure 5).

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

State and local government education	670
Food services and drinking places	276
Real estate establishments	255
Child day care services	146
Retail Stores - Food and beverage	65
Retail Stores - Clothing and clothing accessories	48
Personal and household goods repair and maintenance	47
Medical and diagnostic labs and outpatient and other ambulatory care services	38
Employment services	18
Retail Stores - General merchandise	16

## ***Impact on taxes***

Southwest Minnesota State University generates about \$8 million in tax revenues for state and local governments each year. Through its operational activities, its employees' and students' spending, Southwest Minnesota State University supports the activities of the South West region by paying sales, property, and income taxes. Similarly, the University and its employees' social insurance contributions add to the state tax revenues. Since Southwest Minnesota 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, Southwest Minnesota 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 748 bachelor's and master's degrees awarded by Southwest Minnesota State University in 2011, this is equivalent to \$185 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.<sup>3</sup>

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 \$321 million.<sup>4</sup>

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<sup>3</sup> 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.

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