

The Economic Impact of Valdosta State University Fiscal Year 2011

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VALDOSTA STATE UNIVERSITY

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EXECUTIVE SUMMARY

Valdosta State University, located in Valdosta, Georgia, is a regional university and one of 35 institutions within the University System of Georgia. It is located in Lowndes County along the Florida border and is one of the largest employers in the Valdosta metropolitan statistical area (MSA).

This study estimates the economic impacts of Valdosta State University on the Valdosta MSA. The study considers three university-related sources of local expenditures: spending by Valdosta State University, spending by the students who attend Valdosta State University, and spending on capital projects.

The economic impacts of Valdosta State University on the Valdosta MSA for fiscal year 2011 are:

- \$451.2 million in total output,
- \$322.1 million in value-added,
- \$208.7 million in labor income, and
- 5,055 full- and part-time jobs.

Over 9% of the Valdosta MSA gross regional product and approximately 1 out of every 10 jobs in the Valdosta MSA are directly or indirectly influenced by Valdosta State University economic activity.

Introduction

Valdosta State University, one of two regional universities within the University System of Georgia, is located within the city limits of Valdosta in the south central region of Georgia. The University has two campuses that are located less than one mile apart: an 85-acre Main Campus and the Rea and Lillian Steele North Campus. In addition to the campuses, support units are located at satellite buildings near one of the two campuses. Within the University, courses leading to undergraduate and graduate degrees were offered by five colleges and the graduate school during fiscal year 2011. Valdosta State University enrolled more than 12,000 students during the 2010 fall and 2011 spring semesters, and conferred 2,411 undergraduate and graduate degrees during fiscal year 2011.

Valdosta is located in Lowndes County along the Florida border. On June 6, 2003, the United States Office of Management and Budget recognized Valdosta, Georgia as a metropolitan statistical area (Valdosta MSA). The Valdosta MSA includes Brooks, Echols, Lanier, and Lowndes counties, with Lowndes County the most populous and affluent of the four counties. Valdosta State University is one of the top ten employers in the Valdosta MSA.

This economic impact study uses an input-output analysis to measure the economic linkage between Valdosta State University and the Valdosta MSA. The analysis uses a predictive model to measure changes in output and employment that are associated with local university-related economic activities. Changes in output and employment are primarily a function of local spending by Valdosta State University itself, local spending by Valdosta State University students, and local spending on capital projects.

The remainder of the study is divided into three sections. The first section defines the components of an economic impact study and discusses the methodologies used to calculate the economic impacts in this study. The second section describes the direct expenditures associated with Valdosta State University economic activities and reveals the economic impacts on total output, value-added, labor income and employment. The final section discusses some limitations of the study.

Economic Impact Concepts and Methodology

When economists refer to economic impacts, they are considering how local expenditures associated with a development project, business enterprise or government institution affects output and employment in a region. With any activity, a portion of total expenditures is spent within the regional economy and a portion is spent outside the regional economy. For example, the University spends a portion of its revenue on faculty salaries and a portion of its revenues on library acquisitions. The amount of faculty salary expenditures impacts regional output and employment. This type of impact is referred to as direct economic impact. Since library acquisitions are expenditures outside the region, they are considered leakage and do not count toward the University's economic impact on the region.

When local businesses and workers receive payment for their goods and services, they too spend a portion of their funds in the regional economy. Using the University example, the faculty uses a portion

of their wages to buy gasoline, dine at restaurants and pay for entertainment. These subsequent expenditures create more output and employment for the regional economy. Of course the businesses and workers that receive the subsequent payments also spend a portion of their funds in the local economy which creates more output and employment. The output and employment generated from the subsequent spending is known as the multiplier effect.

The multiplier effect includes both the indirect and induced effects resulting from the initial spending. Indirect effects consist of the expenditure and employment changes that result from subsequent business production and expenditures. The induced effects are the changes in spending that capture all inter-institutional transfers, including subsequent household spending. The magnitude of the multiplier is a function of the resource flows among industries in a region and the marginal propensity of local consumers to spend their income. The heterogeneity of businesses and consumers leads to different multipliers for the various industries and regions across the United States. In general however, as an industry or region becomes more self-sufficient, the multiplier grows larger.

The total economic impact of an activity is the sum of the direct, indirect and induced economic impacts. It assesses the total change in output and employment that results from the initial spending on a development project, business enterprise or government institution. The total economic impacts of this study were calculated using multipliers derived through the regional input-output model with the IMPLAN Professional 3.0 Accounting & Impact Analysis Software. The model uses a regional social account matrix (SAM) that includes both market and non-market economic transactions to calculate the multipliers and includes inter-institutional spending at the state and local levels.

Economic Impact Results

The total economic impact of Valdosta State University is associated with three university-related local expenditures: spending by Valdosta State University itself, spending by Valdosta State University students, and spending on capital projects. The total annual economic impacts derived from the economic activities associated with Valdosta State University consist of the impacts on total output, value-added, labor income and employment. The total output impact measures the impact on gross regional product that is derived from the production of all final goods and services. The value-added impact measures the impact on gross regional product derived from the income paid to the owners of all factors of production. The labor income impact measures the impact on gross regional product derived from additional labor income. The employment impact measures the full-time and part-time employment supported directly and indirectly by Valdosta State University economic activities.

Data used to complete this study were obtained from the Valdosta State University Annual Financial Report for Fiscal Year Ended June 30, 2011, the Valdosta State University Fact Book 2011-2012, the Georgia Department of Labor, and the United States Bureau of Labor Statistics Consumer Expenditure Survey 2010. The multipliers were based upon 2010 industry spending behavior calculated using the IMPLAN Professional 3.0 Accounting & Impact Analysis Software.

Direct Expenditures

The University itself

Total operating expenditures by Valdosta State University during the fiscal year 2011 were \$160.6 million. To calculate the direct economic impact on the Valdosta MSA, operating expenditures were reduced by \$51.2 million, the value of operating expenditures attributed to spending outside the Valdosta MSA. The remaining \$109.4 million were local expenditures and represented the direct economic impact from the on-going economic activities of Valdosta State University. Included in these expenditures are the faculty and staff salaries, excluding benefits of \$69.8 million, earned by the 1,302 full-time and 526 part-time employees.

Valdosta State University Local Expenditures, Fiscal Year 2011		
	VSU Direct Expenditures	Employment
Faculty	\$36,706,000	729
Staff	\$33,064,328	1,099
Other Operating Expenses	\$39,650,004	
	\$109,420,332	1,828

Valdosta State University Students

Student expenditures represent additional on-going economic activities associated with Valdosta State University. During fiscal year 2011, Valdosta State University attracted students from 157 of the 159 Georgia counties, 50 U.S. states, and 67 countries. More than 75% percent of the students enrolled during the 2010 fall and 2011 spring semesters were from outside the Valdosta MSA. The expenditures by these students reflect a direct economic impact that would not have occurred in the absence of the University. The expenditures by students from the Valdosta MSA were also considered, since the students would likely attend a college outside the Valdosta MSA in the absence of Valdosta State University.

Since student spending information was not available, student expenditures were estimated using student enrollment numbers and consumer spending behavior reported in the 2010 *Consumer Expenditures Survey*, published by the Bureau of Labor Statistics. Expenditure items from the Under 25 years of age were selected to reflect the student expenditure behavior. These expenditures included retail spending, eating out, entertainment, household expenditures, utilities, rent, and miscellaneous items. Education, health care, and public transportation were not included since these services are provided by Valdosta State University and are already included in the University expenditures. Automobile purchases, insurance premiums, and pension payments were also excluded.

The estimated average expenditures per student during the 2010 fall and 2011 spring semesters were \$6,380 and 2010 summer semester was \$3,816. Given the student enrollment during the three semesters, the estimated direct economic impact of on-going student expenditures was \$181.5 million. Valdosta State University employed 1,663 students on campus during fiscal year 2011.

Student Enrollment and Expenditures, Fiscal Year 2011

Semester	Enrollment	Average Expenditures	Estimated Total Expenditures
Summer 2010	5,621	\$3,816	\$21,449,736
Fall 2010	12,898	\$6,360	\$82,031,280
Spring 2011	12,261	\$6,360	\$77,979,960
		\$16,536	\$181,460,976

Capital Projects

Capital projects are the new construction and renovation activities that occur during a particular fiscal year. These projects are not on-going activities but are one-time projects that may span a few months or across fiscal years. During fiscal year 2011, Valdosta State University had several significant capital projects including the Nevins Hall, Odum Library and Communication Arts Building renovations, and the construction of the Jennett Lecture Hall. The direct expenditures from the capital projects for fiscal year 2011 were \$12.6 million.

Economic Impacts

Total Output Impact

The output impact represents the total local production derived from the economic activities associated with Valdosta State University and includes the initial spending and multiplier effects associated with the spending. For fiscal year 2011, the output impact of Valdosta State University on the Valdosta MSA was \$451.2 million. The output impact represents over 9% of the gross regional product for the Valdosta MSA. The overall average multiplier value for fiscal year 2011 was 1.49. For every dollar of initial direct spending, an additional 49 cents of spending was generated within the Valdosta MSA.

Total Value-added Impact

The value-added impact represents the additional income for all factors of production derived from the economic activity associated with Valdosta State University and includes the initial spending and multiplier effects associated with the spending. For fiscal year 2011, the value-added impact of Valdosta State University on the Valdosta MSA was \$322 million. This represents about 71% of the total output impact.

Labor Income Impact

The labor income impact represents the additional labor income derived from the economic activity associated with Valdosta State University. For fiscal year 2011, the labor income impact of Valdosta State University on the Valdosta MSA was \$208.7 million. Nearly 65% of value-added impact is associated with labor income.

Employment Impact

The employment impact represents the total employment derived from the economic activities associated with Valdosta State University and includes the Valdosta State University employment and the employment derived from the multiplier effects associated with the spending. For fiscal year 2011, the total employment impact of Valdosta State University was 5,055 jobs. Valdosta State University economic activities supported 9.8% of the employment within the Valdosta MSA during fiscal year 2011. Approximately 1 out of every 10 jobs in the Valdosta MSA is directly or indirectly influenced by Valdosta State University economic activity.

Valdosta State University Economic Impacts, Fiscal Year 2011

	Initial Direct Spending	Total Output Impact	Value-added Impact	Labor Income Impact	Employment Impact
VSU Operating Expenses	\$109,420,332	\$195,331,739	\$126,003,702	\$117,292,248	2,638
Student Spending	181,460,976	237,980,208	167,291,191	85,275,580	2,254
Capital Projects	12,625,951	17,840,438	8,734,793	6,122,826	163
TOTAL	\$303,507,259	\$451,251,385	\$322,059,686	\$208,690,654	5,055

Limitations and Other Considerations

The \$451.2 million output impact and 5,055 employment impact are minimum estimates of the total economic impacts associated with Valdosta State University economic activities. All economic impact studies have limitations and despite efforts to capture the complete economic impact of Valdosta State University, this study also excludes some benefits to the Valdosta MSA. The activities are not included because there is limited economic information or the activity is not quantifiable. Examples of benefits not included in this study are:

1. The value of the outreach programs sponsored by Valdosta State University, such as the Students In Free Enterprise, the summer reading programs offered by the Dewar College of Education, the continuing education programs, the international programs, and various lecture series.
2. The additional expenditures in the community associated with orientation days, athletic events and cultural events.
3. Local access to a comprehensive university library.
4. The value of the retired university personnel and dependents locating in the Valdosta MSA.
5. The potential economic impacts in the nearby Central Georgia and North Florida counties not included in the Valdosta MSA.

These benefits are not an exhaustive list however they represent the types of non-measurable benefits not included in the study.