Research Reports

Institutional Assessment
Boise State University

The Economic Effects of Boise State University: Results of a 2003 Input-Output Model

Research Report 2004-02
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Background

While private businesses are valued for the jobs and revenue they bring to the community, the public sector is often overlooked as a significant economic asset to the community. Higher education is a notable example. Not only do institutions of higher education provide opportunities to attend classes and attain degrees, they also provide jobs and purchase goods and services from the local community and beyond. In addition, institutions of higher education draw visitors and new students to the community who also spend money on local goods and services.

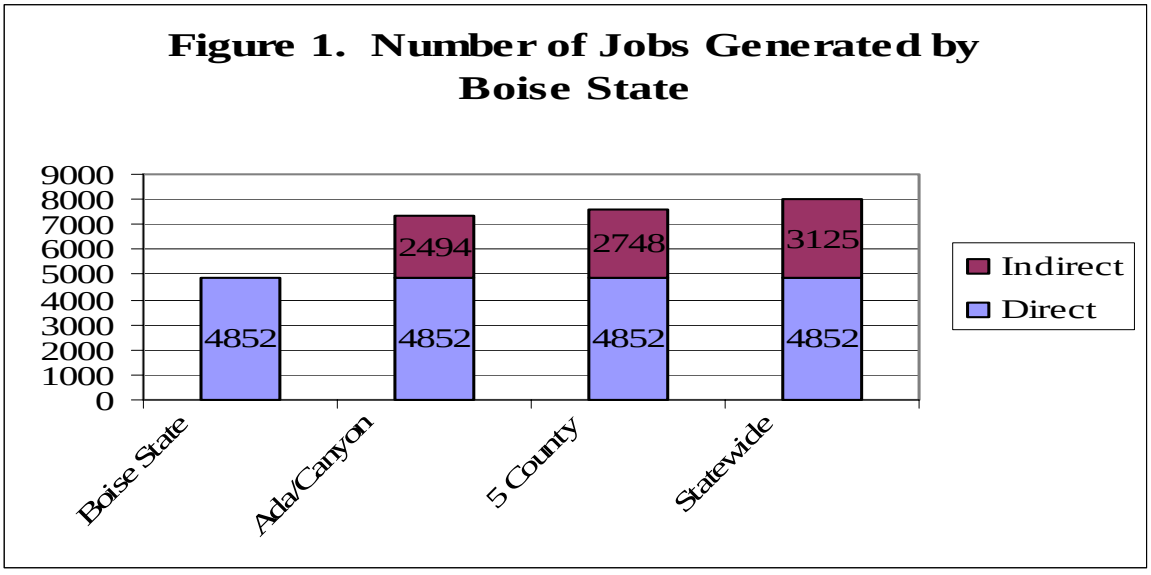
The effect of these expenditures to pay salaries and make purchases does not stop when the money leaves the institution. A ripple effect occurs. For example, salaries that faculty and staff receive are spent at local businesses. These local businesses then make their purchases and hire personnel based on the volume of business generated. Or the university may hire a local business to do some landscaping. The business then buys supplies from another business and so on. This is known as the "multiplier effect" and can be estimated in an input-output economic model using the amount of money expended, the types of expenditures made, and the location of the businesses (local, in-state, out-of-state) that receive the money.

The purpose of this study was to gather information on the number of jobs at Boise State University, the salary earnings generated by those jobs, and the expenditures made by the university in order to assess the direct effects of Boise State on the area economy. This information is then used to quantify the additional indirect effects that Boise State had on the local, area, and state economies. Using a multiplier estimated through the economic model, we estimate how many additional jobs, earnings, and sales Boise State generates locally (Ada and Canyon counties), in the Metropolitan Statistical Area (Ada, Boise, Canyon, Gem, and Owyhee counties), and statewide.

Findings

Jobs Generated:

Boise State currently employs 4,852 people in both full- (1,629) and part-time (3,223) capacities. These jobs are the direct effect of having Boise State as part of the metropolitan community. Indirectly, it is estimated that an additional 2,494 jobs are generated within Ada and Canyon counties, 254 throughout the remainder of the five-county metropolitan region and 377 jobs throughout the rest of the State of Idaho for a total of 3,125 additional jobs as a result of the presence of Boise State. (see Figure 1 below).

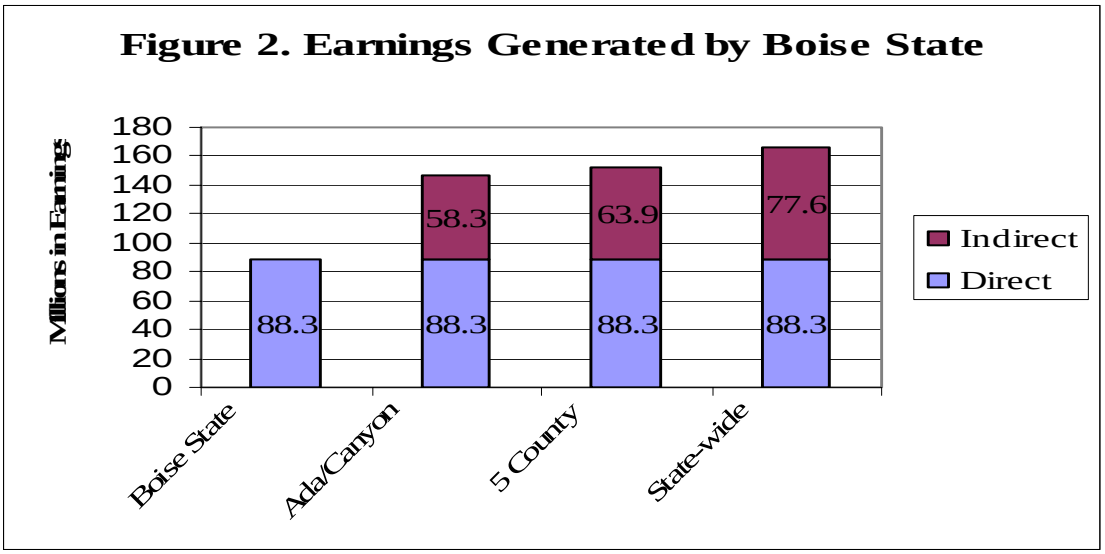


These estimates are based on multipliers which in turn rely on both the amount of money spent as well as where it was spent. The multiplier for the Ada/Canyon region is 1.51, indicating that for every two jobs at Boise State, another job is created as a result in the Ada/Canyon area. The five-county region multiplier is similar at 1.57. The state-wide employment multiplier is 1.64, indicating that for every five Boise State jobs, three others are created in the state.

Earnings Generated:

Boise State *directly* distributes 88.3 million dollars in salaries and benefits to its employees annually. Through the additional jobs that were indirectly created by Boise State, an additional 58.3 million dollars in earnings are expected in the Ada/Canyon region, 5.6 million beyond that for the five-county region, and 13.7 million more in additional earnings throughout the state. See Figure 2 below.

For every dollar that Boise State spent on earnings, an additional $.66 is generated in the Ada/Canyon area. This increases to $.73 in the five-county area, and to $.88 statewide. Therefore, the multipliers are 1.66 for Ada/Canyon, 1.73 for the five counties, and 1.88 statewide.



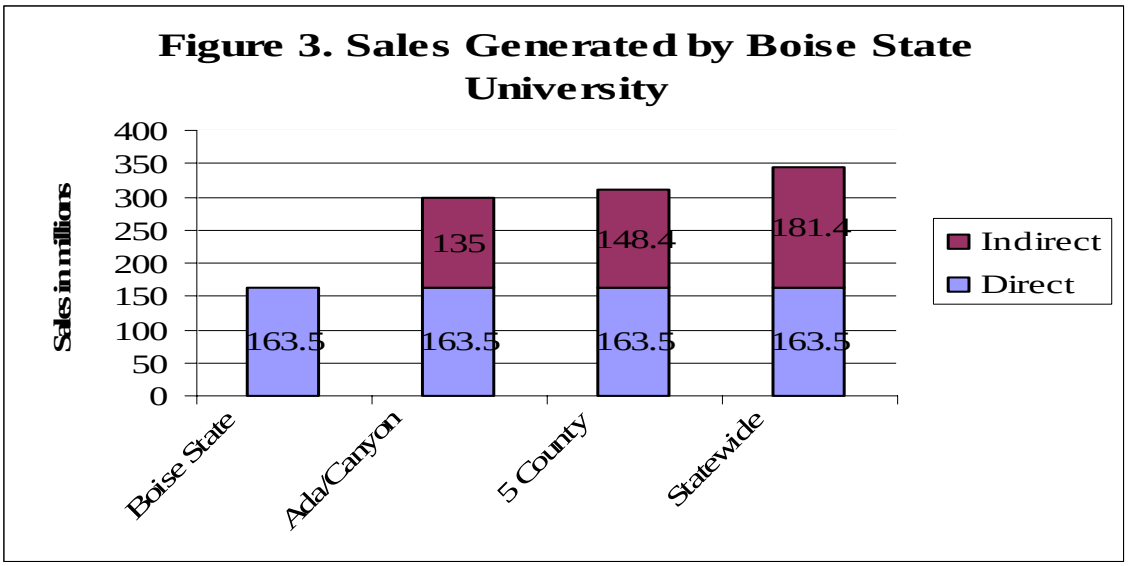
Sales Generated:

Besides spending monies on salaries and benefits, Boise State University also purchases goods and services, which again help the community to grow and prosper as other businesses buy the goods and services to meet the purchasing demands made by Boise State. Last year, Boise State directly spent 163.5 million dollars statewide and 161.2 million within the region on goods and services. With the ripple effect of these expenditures, university spending indirectly supports an additional 135 million dollars in sales in Ada and Canyon counties, 13.4 million in sales throughout the remainder of the five-county regions, and 33 million in additional sales throughout the state. See figure 3 below.

This indirect effect translates into a sales multiplier of 1.84 for Ada and Canyon counties, 1.92 for the five-county area, and 2.11 for the state as a whole. Thus, for every dollar Boise State spends, the benefit is more than double statewide.

Discussion and Conclusions

This study indicates that Boise State University does more than simply receive state funding and in return provide classes and opportunities to earn a degree. It is a vital member of the local, regional, and state economy. The greatest "bang for the buck" that Boise State provides is in the sales generated across the state. Here every dollar expended generates another $1.11. Some of this money returns to the state in the form of taxes, again off-setting some of the costs of funding a public institution.



The university also has a significant effect in generating additional jobs and earnings. The weakest effect is the generation of jobs at the local (Ada and Canyon) level where every two Boise State jobs generates another one in the community. The impact is smaller here for several reasons. One reason is that much of the statewide economic activity takes place within Ada and Canyon counties, thereby diluting the effect of Boise State at the local level. Another reason is that the average earnings per worker are depressed due to the number of part-time workers and lower salaries at Boise State.

Despite attempts to be as comprehensive and accurate as possible in modeling the impacts of Boise State, some spending areas are still unaccounted for in the model. For example, while the financial aid that students receive (and subsequently spend) is accounted for in the model, we cannot account for other money that may flow into the local economy due to students coming to Boise State. As Kelly Gneiting notes in his final report,

> *If just half of these students were to leave the area (i.e., attend a university outside of the area), and if each of these leaving students would have spent an extra $10,000 a year (not including financial aid) in the Boise region, this would account for an additional 876 jobs and 19.1 million in earnings in the 2-County*

region, bringing the total job multiplier effect to 1.7 and the total earnings multiplier to 2.0

Clearly, Boise State University is an economic asset to the region and the state. Future reports will explore the extent that Boise State is integrated into the local community through educational, job, and entertainment (sports and cultural events) offerings. A final report will estimate the increase in lifetime earnings that graduates can expect by attaining a degree and how those earnings help to improve state tax revenues.