

EXECUTIVE
SUMMARY



The Economic Contribution of



WASHBURN
UNIVERSITY

State of Kansas

November 2011



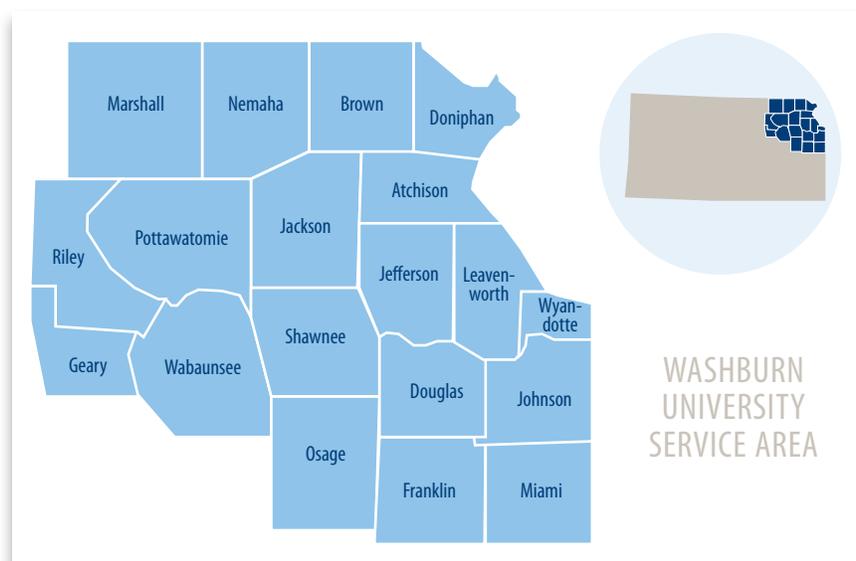
SOCIOECONOMIC IMPACT STUDY

INVESTMENT ANALYSIS

- For every dollar students invest in Washburn, they receive a cumulative **\$5.60** in higher future income (discounted) over the course of their working careers.
- Kansas benefits from improved health and reduced welfare, unemployment, and crime, saving the public some **\$8.5 million** per year.
- Taxpayers see a rate of return of **9.0%** on their investment in Washburn.

ECONOMIC GROWTH ANALYSIS

- The net added income generated by Washburn operations (**\$45.7 million**) and the spending of visitors (**\$6.9 million**) and non-local students (**\$4.3 million**) contributes a total of **\$56.9 million** in income to the Northeast Kansas economy each year.
- The accumulated credits achieved by former Washburn students over the past 30 years translate to **\$422.7 million** in added regional income each year due to the higher earnings of students and increased output of businesses.



EXECUTIVE SUMMARY

INTRODUCTION

How do the Northeast Kansas economy and the state of Kansas benefit from the presence of Washburn University (Washburn)?

In this study, EMSI applies a comprehensive model designed to quantify the economic benefits of the Washburn University and translate these into common sense benefit/cost and investment terms. The study includes two major analyses:

1. **Investment Analysis:** Treats education funding as an investment, calculating all measurable returns and comparing them to costs, from the perspectives of students, taxpayers, and society as a whole.
1. **Economic Growth Analysis:** Measures added income in the region due to university operations, student and visitor spending, and the accumulated skills of past and present students still in the workforce.

For an in-depth discussion of the results, the reader is encouraged to consult the Main Report, “The Economic Contribution of the Washburn University.”

THE RESULTS

INVESTMENT ANALYSIS

Student Perspective

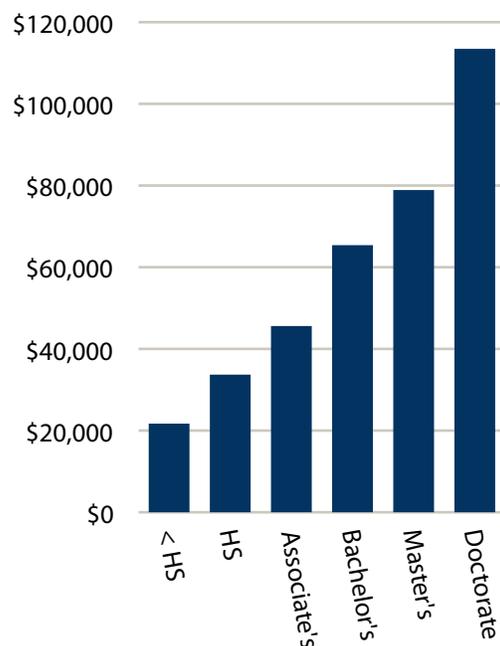
Benefits of higher education are most obvious from the student perspective: students sacrifice current earnings (as well as money to pay for tuition) in return for a lifetime of higher income. Compared to someone with a high school diploma, bachelor’s degree graduates earn \$31,700 more

per year, on average, over the course of a working lifetime (undiscounted).

From an investment standpoint, Washburn students enjoy a 15.9% rate of return on their investments of time and money. This compares favorably with returns on other investments, e.g., long-term return on stocks and bonds.

The corresponding benefit/cost ratio is 5.6, i.e., for every dollar students invest in Washburn education, they receive a cumulative of \$5.60 in higher future income over their working careers. This is a real return that accounts for any discounting that occurs during the entire period. The payback period is 9.4 years.

AVERAGE EARNINGS BY EDUCATION LEVEL
IN NORTHEAST KANSAS



WASHBURN INVESTMENT ANALYSIS AT A GLANCE

STAKEHOLDER	RATE OF RETURN	BENEFIT/COST	PAYBACK (YEARS)
Student perspective	15.9%	5.6	9.4
Social perspective	NA	28.7	NA
Taxpayer perspective	9.0%	2.7	13.8

Social Perspective

From the perspective of society as a whole, the benefits of education accrue to different publics. For example, Washburn students expand the state’s economic base through their higher incomes, while the businesses that employ them also become more productive through the students’ added skills. These benefits, together with the associated ripple effects, contribute an estimated \$53.7 million in taxable income to the Kansas economy each year.

As they achieve higher levels of education, Washburn students are also less likely to smoke or abuse alcohol, draw welfare or unemployment benefits, or commit crimes. This translates into associated dollar savings (i.e., avoided costs) to the public equal to approximately \$8.5 million annually. These are benefits that are incidental to the operations of Washburn and accrue for years into the future, for as long as students remain active in the workforce.

To compare benefits to costs, we project benefits into the future, discount them back to the present, and weigh

them against the \$34.4 million that state and local taxpayers spent in FY 2009–10 to support the university. Following this procedure, it is estimated that Washburn provides a benefit/cost ratio of 28.7, i.e. every dollar of state and local tax money invested in the university today yields a cumulative of \$28.70 in benefits that accrue to all Kansas residents, in terms of added taxable income and avoided social costs.

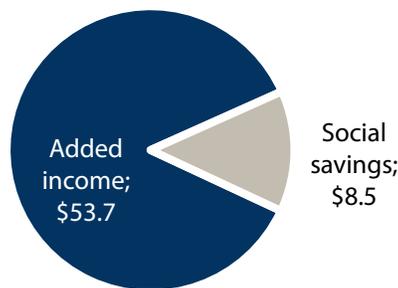
Taxpayer Perspective

Under the taxpayer perspective, only benefits that accrue to state and local governments are counted, namely, increased tax collections and reduced government expenditures. For example, in place of increased income, the taxpayer perspective includes only the increased state and local tax receipts from those higher incomes. Similarly, in place of overall crime, welfare, unemployment and health savings, the taxpayer perspective includes only those that translate to actual reductions in state and local government expenditures.

Note here that government often undertakes activities wanted by the public, but which may be unprofitable in the marketplace. This means that positive economic returns are generally not expected from government investments. From the taxpayer perspective, therefore, even a small positive return (a benefit/cost ratio equal to or greater than 1, or a rate of return equal to or greater than the 3% discount rate used in the taxpayer investment analysis) would be a favorable outcome.

For Washburn, the results indicate positive returns: a rate of return of 9.0% and a benefit/cost ratio of 2.7 (every dollar of state or local tax money invested in Washburn today returns \$2.70).

ANNUAL BENEFITS TO KANSAS PUBLIC DUE TO WASHBURN STUDENTS (\$ MILLIONS)



ECONOMIC GROWTH ANALYSIS

Washburn affects the regional economy in four ways: 1) through its payroll and purchases for supplies and services, 2) through the off-campus spending of out-of-region students, 3) through the spending of visitors from outside the region, and 4) through an increase in the skill base of the regional workforce. These effects break down as follows.

University Operations Effect

Washburn creates income through the earnings of its faculty and staff, as well as through its own operating and capital expenditures. Adjusting for taxes and other monies withdrawn from the local economy in support of Washburn, it is estimated that the Northeast Kansas economy receives a net of \$45.7 million in added labor and non-labor income due to Washburn operations each year.

Student Spending Effect

Students from outside the region spend money for room and board, transportation, entertainment, and other miscellaneous personal expenses. These expenditures create jobs and incomes for local businesses. The spending of Washburn's non-local students generates approximately \$4.3 million in added income in the Northeast Kansas economy each year.

Visitor Spending Effect

Each year Washburn draws approximately 310,100 visitors to the region. Non-local visitors bring monies that would not have otherwise entered the economy, including expenditures for lodging, eating and drinking, transportation, and other personal expenses. Adjusting for monies paid

to the university (e.g., for ticket sales, gifts, food, etc.), the net impact of non-local visitor spending in the region is an estimated \$6.9 million in added income annually.

Student Productivity Effect

Every year students leave Washburn and join or rejoin the regional workforce. Their added skills translate to higher income and a more robust Northeast Kansas economy. Based on Washburn's historical enrollment and credit production over the past 30-year period, it is estimated that the accumulated contribution of Washburn instruction received by former students (both completers and non-completers) annually adds some \$422.7 million in income to Northeast Kansas.

Total Effect

Altogether, the average annual added income due to the activities of Washburn and its former students equals \$479.6 million. This is approximately equal to 0.8% of the total Northeast Kansas economy.

CONCLUSION

The results of this study demonstrate that Washburn is a sound investment from multiple perspectives. The university enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services. Finally, it contributes to the vitality of both the local and state economies.

WASHBURN ECONOMIC IMPACT ANALYSIS AT A GLANCE

ADDED INCOME	
University operations effect	\$45,667,300
Student spending effect	\$4,258,400
Visitor spending effect	\$6,939,500
TOTAL SPENDING EFFECT	\$56,865,100
Student productivity effect	\$422,745,000
GRAND TOTAL	\$479,610,100

ABOUT THE STUDY

This report summarizes the results from “The Economic Contributions of Washburn University” detailing the role that the university plays in promoting economic development, enhancing students’ careers, and improving quality of life. Data sources include, but are not limited to, 2009–10 academic and financial reports from the university, industry and employment data from the U.S. Bureau of Labor Statistics, earnings and demographic data from the U.S. Census Bureau, and a variety of studies and surveys relating education to social behavior.



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