



KANSAS HIGHER EDUCATION COMMUNITY'S

ECONOMIC CONTRIBUTION

TO

KANSAS

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We accept full responsibility for any errors of omission or commission.

Dennis K. Winters, Principal Investigator

PURPOSE AND SCOPE

PURPOSE

Private businesses are touted as the drivers of economic activity and prized for the jobs they provide. Often overlooked are the public institutions in a region that also bring jobs to the local populace. Such institutions not only supply employment opportunities, they also purchase goods and services from area businesses. Moreover, higher education institutions draw a clientele that contributes significantly to a local economy. These components often comprise a substantial share of the economic activity of a region.

The purpose of this study is to measure the economic contribution of the Kansas Higher Education Community. The Kansas Higher Education Community is comprised of seven public universities, nineteen community colleges, and ten technical schools and colleges. The public universities are located across the state with the community colleges and technical schools further extending the higher education opportunities available to Kansas's citizens.

The higher education institutions in Kansas purchase goods and services from private businesses and pay wages to their employees, who in turn spend their income in the local economy. Kansas students also purchase goods and services and hold jobs in the local economy. All these expenditures are magnified throughout the local economy as the employee compensation and business revenues are further cycled through the local economy, multiplying the economic impact to the region.

The purpose of this study is to quantify the monetary contribution that the higher education institutions in Kansas make to the state. The monetary contribution stems from institutional spending, employee, student, and visitor spending. The components are summed to yield the total economic contribution resulting from the institution's presence in Kansas. The analysis results in this report of the total economic contribution that the higher education institution makes to the region.

SCOPE

In order to identify and estimate the total economic contribution the Kansas higher education community makes to the state, one has to look beyond the direct expenditures made by the institutions themselves. There is a ripple effect of the expenditures made for goods and services supplied to Kansas. Wages paid to Kansas faculty and staff are spent by the employees on housing, food, clothing, entertainment, etc. Likewise, business revenues generated from supplying goods and services to Kansas are paid out in wages, and material costs, which in turn are spent on living costs. This multiplier effect enlarges the economic impact of the initial Kansas expenditures.¹

¹ The "multiplier effect" refers to the recurrent economic activity generated by an initial expenditure. For example, \$100 spent directly on construction will cycle through the local economy again as wages to the tradesman, purchases of construction materials such as lumber, tools and nails, gasoline for machinery and worker transportation. The initial wave of spending generates a second and third wave of spending as wages paid and profits made on the direct spending spins through the economy in several cycles. Some money leaks out of the local economy at each level as some spending is done outside the region, the lumber

This study quantifies the total economic contribution the Kansas higher education community makes to the region by collecting data, analyzing spending patterns, applying multiplier coefficients and calculating the final fiscal effects.

Throughout the report, we refer to “the economic contribution attributable to the Kansas higher education community’s presence in the region.” This means we count only the money spent by the universities, community colleges, technical schools, their employees, students, and visitors that occurs because the institutions are located where they are. The presence of the Kansas institutions across the state, and the economic activity that they generate creates an enormous economic benefit for Kansas businesses, households, and local governments.

This study is confined to the economic contribution of the Kansas higher education community, which comes from institutional expenditures and payroll, student expenditures, and visitor expenditures. It does not measure the economic contribution of affiliated Kansas organizations such as alumni associations and foundations, the economic impact of faculty and staff earnings from private consulting, book and patent royalties, the economic impact of faculty and staff expertise used by state businesses and organizations, and a host of other collateral economic activities. With this in mind, the economic impact of the Kansas higher education community reported in this study understates the overall economic impact of the Kansas higher education community by the factors mentioned above.

may originate in Georgia or Canada, for example. Thus, the original direct expenditure yields a greater economic impact than just the \$100 initially spent.

HIGHLIGHTS OF FINDINGS

- The Kansas Higher Education Community (KHEC) contributes \$5.2 billion dollars to Kansas's economy annually, more than 6% of the state's gross state product.
- KHEC activities are responsible for almost 116,000 in-state jobs, more than 8% of Kansas's employed workforce.
- KHEC presence in the state generates over \$281 million dollars in state income and sales tax revenue annually.
- Over 65% of the \$1.7 billion KHEC revenue comes from sources other than state taxes.
- KHEC employees spend almost \$570 million in Kansas annually.
- KHEC students spend more than \$958 million annually in Kansas over and above tuition, fees, and university supplied room and board.
- Visitors to KHEC related events spend over \$277 million dollars in the state.
- Kansas realizes a 13.2% return on its investment in a Kansas baccalaureate degree through higher taxes paid by KHEC university graduates.
- The state's payback for educating a KHEC baccalaureate student is less than 6 years.
- KHEC baccalaureate degree holders reap a 27% return on their education investment beyond high school.
- A KHEC student's payback period is 2-3 years depending on degree earned.
- A KHEC university graduate will earn over \$1 million dollars more than a high school graduate.
- The positive cultural and social impacts of an educated populace immeasurably enhance Kansas quality of life.

CHAPTER 1

EXECUTIVE SUMMARY

CHAPTER 1: EXECUTIVE SUMMARY

The Kansas Higher Education Community (KHEC) can be considered one of the major economic engines of the state. The KHEC is spread out over seven four-year public universities, nineteen two-year community colleges, and ten two-year technical schools and colleges. The University of Kansas and Kansas State University are the two major four-year public universities, complemented by the five other public universities and nineteen community colleges located across the state with the ten two-year technical schools also extending the higher education opportunities available to Kansas citizens. A list of all the KHEC campuses can be found in the appendix.

KHEC Revenues

Fiscal year 2000-2001 Kansas Higher Education Community revenue totaled nearly \$1.7 billion. The largest single share of KHEC revenue came from state appropriations, 33.9%. Over 11.4% of total revenue was accounted for by federal grants and contracts, 20.0% by tuition and fees, 2.8% by private gifts, grants, and contracts, and the remaining 31.9% came from other sources.

Figure 1 – 1

KHEC Revenues

FY 2000-01

<u>Revenue Source</u>	<u>Amount</u>	<u>% of Total</u>
State Appropriations	\$568,915,540	33.9
Federal Grants & Contracts	191,059,493	11.4
Tuition & Fees	335,720,671	20.0
Private Gifts, Grants, & Contracts	46,638,045	2.8
Other Revenue Sources	<u>535,353,981</u>	<u>31.9</u>
Total Kansas Revenue	\$1,677,687,730	100.0

Source: National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS)

KHEC Expenditures

The Kansas Higher Education Community spent almost \$1.7 billion dollars in fiscal year 2000-01 on payroll and other goods and services. Total KHEC payroll including wages and salaries amounted to \$788 million. Expenditures on non-payroll goods and services totaled over \$893 million.

Approximately sixty-percent of those non-payroll institutional expenditures were spent within Kansas, almost \$525 million. KHEC non-payroll expenditures flow to four main areas: Private Industry, Households, Not-for-Profits, and Government. The vast majority of Kansas spending flowed into private businesses, 91.9%. Governments received 7.9% of Kansas expenditures. Payments made to households and not-for-profits accounted for a small portion of total expenditures, but a significant amount of money. It is shown in

the body of the report that staff and students make considerable contributions to government, households and not-for-profits as well.

Figure 1 - 2

KHEC In-State Expenditures

Recipient	Expenditures
Private Business	\$482,500,620
Services from Households	478,260
Not-for-Profits	425,186
Government	41,482,791
Total In-State Expenditures	\$524,886,857
Source: Computed from IPEDS data	

KHEC employees, students and visitors also contribute to increased state economic activity. Without the Kansas Higher Education Community, a large share of its employees, its students, and its visitors would not be present in Kansas.

KHEC Economic Contribution

KHEC spending contributes to Kansas’ economy through direct spending on goods and services, KHEC payroll, student spending and visitor spending. This direct spending then multiplies through the state economy as the KHEC dollars finance business expenditures and payrolls resulting in many rounds of indirect spending, the re-spending of KHEC direct expenditures.

Direct Spending

Direct KHEC related spending amounts to over \$2.3 billion dollars per year for Kansas’s economy. The primary components of that spending are student expenditures and employee spending, although KHEC institutional expenditures and visitor spending contributions are large also.

The direct contribution the KHEC makes to the region in just fiscal terms includes over \$2.1 billion to private businesses, more than \$159 million in government revenue and almost \$45 million to local charities.

Figure 1 - 3

KHEC Economic Contribution Balance Sheet

<u>Contributor</u>		
Institution	\$524,886,857	
Employees	569,240,841	
Students	958,096,027	
Visitors	<u>277,334,001</u>	
Total	\$2,329,557,726	
<u>Recipient</u>		
Private Business		\$2,119,091,951
Households		6,145,569
Not-for-Profits		44,964,280
Local Government		<u>159,355,926</u>
Total		\$2,329,557,726

Total Contribution

The economic contribution the Kansas Higher Education Community makes to the state is much greater than the direct fiscal spending made by the institution. All the dollars spent by the KHEC on goods and services recycle through the state economy to be spent again on goods and services by the businesses and citizens that serve it. This rippling effect of spending is captured in multipliers that are applied to the direct spending.

The total economic contribution made by the KHEC to the state is over \$5.2 billion. The KHEC student population accounts for about 41% or \$2.2 billion of the total contribution. KHEC employees contribute 24% of the total, almost \$1.3 billion. KHEC institutional non-payroll expenditures account for another 23% of the total contribution, almost \$1.2 billion. Visitor spending accounts for another 12% of the total contribution, or \$624 million.

Figure 1 - 4

KHEC Total Contribution to the State

FY 2000-01

<u>Contributor</u>	<u>Contribution</u>	<u>% Share</u>
Institution	\$1,180,995,428	22.5
Employees	1,280,791,891	24.4
Students	2,155,716,060	41.1
Visitors	<u>624,001,503</u>	<u>12.0</u>
Total Contribution	\$5,241,504,882	100.0

From a business model point of view, the Kansas Higher Education Community is a successful economic development construct. Direct outlays of \$2.3 billion generate a \$5.2 billion dollar contribution to the state of Kansas economy.

Kansas Job Generation

The money the Kansas Higher Education Community spends on goods and services generates jobs for Kansas citizens. Jobs attributable to the KHEC occur in four ways. The first is the direct faculty and staff jobs for people working for the KHEC. The second job creator is the jobs generated by non-payroll, in-state Kansas expenditures. The third job creator is for the people that serve the KHEC workforce in their professional and private lives. The fourth job creator is the jobs generated by student and visitor spending.

KHEC non-payroll, in-state spending creates more than fifty jobs for every \$1 million dollars spent. As a result, about 26,267 Kansas jobs are generated by non-payroll, in-state institutional spending of \$525 million.³

The KHEC directly employs some 22,089 full time equivalent employees. The presence of the KHEC workforce creates other jobs for workers that supply the goods and services to the KHEC workforce in their professional duties and in their private lives. Every KHEC full-time equivalent position creates another 0.26 jobs, generating 5,778 jobs.²

Student spending also creates jobs. KHEC students are responsible for another 47,946 jobs in Kansas.

Visitors to the KHEC institutions spend a significant amount of money in the state. Visitor spending is responsible for the creation of about 13,879 jobs in Kansas. Resident visitor spending is not a factor in Kansas job creation, as that money would be spent in the state anyway. However, without the KHEC, state resident visitors would spend some of this money out-of-state. Non-resident visitor spending wouldn't occur at all without the KHEC.

Total jobs created in Kansas due to the presence of the Kansas Higher Education Community are nearly 116,000.

Figure 1 - 5

Kansas Job Creation

Job Generator	Number of Jobs
Kansas Non-payroll, In-state Spending	26,267
Kansas Faculty and Staff	22,089
Kansas Employee Presence	5,778
Student Spending	47,946
Visitor Spending	13,879
Total Jobs Created	115,959

² Source: 2000 IMPLAN Kansas Multiplier Report

Kansas State Tax Revenue Generation

Not only do the Kansas Higher Education Community employees pay state income taxes and sales taxes on their purchases, but the KHEC presence in the state establishes an expanded tax base. As seen above, the money the KHEC spends generates jobs. Those jobs, in turn, generate income and spending. That subsequent income and spending are taxed through personal income and sales taxes. A state sales tax rate of 5.30% is also applied to student and visitor spending. The total Kansas income and sales tax revenue generated due to the KHEC presence in the state totaled over \$281 million.

Figure 1 - 6

Kansas Tax Revenue Generation

<u>Tax Revenue Generator</u>	<u>Tax Revenue</u>
Kansas Non-Payroll Spending	\$45,030,082
Kansas Employee Withholding	55,021,743
Kansas Employee Presence	9,905,409
Kansas Student Spending	132,974,218
Kansas Visitor Spending	38,491,206
Total State Tax Revenue Generated	\$281,422,658

Summary

The Kansas Higher Education Community fiscal year 2000-01 budget was almost \$1.7 billion. The KHEC employs a workforce of some 22,089 full-time equivalent employees. State appropriations accounted for more than one-third of total revenues.

KHEC expenditures on payroll and other goods and services totaled nearly \$1.7 billion. Nearly one-half of institutional expenditures were spent on payroll. KHEC institutional non-payroll in-state spending totaled \$525 million of which over ninety percent, \$482 million, flowed into local area private businesses.

Total in-state spending attributable to the KHEC was over \$2.3 billion in fiscal year 2000-01. More than \$2.1 billion of the total was spent in private businesses. Total direct spending cycles through the economy by means of the multiplier effect. As a result, total KHEC economic contribution to the state was over \$5.2 billion.

The presence of Kansas Higher Education Community employees, non-payroll expenditures, student and visitor spending are responsible for nearly 116,000 Kansas jobs and state income and sales tax revenue generation of more than \$281 million.

EXECUTIVE SUMMARY ONLY

To obtain a copy of the entire report and appendices, contact:

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