



**UNIVERSITY OF WISCONSIN -
MADISON'S
ECONOMIC CONTRIBUTION
TO THE
REGION**



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

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PREFACE

Dr. William A. Strang, then Director, Bureau of Business Research, School of Business, University of Wisconsin-Madison, undertook an initial study of the economic contribution the University of Wisconsin-Madison made to the local economy in 1971. Superficial updates were conducted thereafter adjusting for inflation, enrollment and employment changes until Dr. Strang conducted another rigorous study with Mark I. Rosen, Project Assistant and Jorgene Kramer, Student Assistant in 1985.¹ Dr. Strang conducted another update in 1991, as an inflation escalated update of the 1985 study. Sufficient time has passed to require another full-fledged analysis to determine if UW-Madison's impact on the state has changed in an appreciable manner.

The 1985 study credited UW-Madison with an economic impact of \$1.4 billion. Today that figure is almost \$4.7 billion. Adjusting for inflation (GDP Implicit Price Deflator), UW-Madison's total contribution to the region has more than doubled in real terms from 1985 to 2002.

The UW-Madison is one to the Wisconsin's largest businesses, directly employing over 17,000 full-time equivalent employees, including the UW Hospitals & Clinics (included to be consistent with 1985 study). More importantly the UW-Madison economic contribution occurs almost entirely within Wisconsin and the benefits accrue to all the state's citizens.

The fiscal impact and the job generation that the UW-Madison creates for the local economy in this study is understated as all the tangential economic offshoots of the institution, its personnel, and activities cannot be captured in the scope of this analysis. Even if all the fiscal flows could be accounted for and assigned a monetary value, it would only constitute a subset of the total value of the institution to the local populace. Unaccounted for quantitatively in this study are the benefits that accrue to society of having increased numbers of highly educated people in the region, their skills in the workforce, their contributions to the civil and social mix, and the talent and creativity they bring to the community.

The UW-Madison is a growing force in Dane County's and Wisconsin's economy. Its impact on the economic activity and workforce requirements should be thought of as part of a higher-education industry cluster, a cluster that is the second fastest growing traded cluster in the country.² This cluster, which includes the private universities and public technical colleges, is a substantial and increasing economic and social force.

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¹ Rosen, Mark I., William A. Strang, Jorgene Kramer, The University of Wisconsin-Madison and the Local and State Economies: A Second Look, Bureau of Business Research, University of Wisconsin—Madison School of Business, Monograph No. 20, March 1985.

² Initiative for a Competitive Inner City and CEO's for Cities, Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.

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 University of Wisconsin-Madison. The UW-Madison is the flagship campus of the University of Wisconsin System. It is one of two Ph.D. granting campuses (UW-Madison and UW-Milwaukee) in the state, and it employs with over 17,000 faculty and staff and almost 35,000 full-time equivalent students.

The UW-Madison purchases goods and services from private businesses and pays wages to its employees, who in turn spend their income in the local economy. UW-Madison students purchase goods and services and hold jobs in the local economy. Campus visitors also purchase goods and services during their stays. 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.

This study attempts to quantify the monetary contribution UW-Madison makes to the local (Dane County) and state economies. The monetary contribution stems from UW-Madison's institutional spending, employee, student, and visitor spending. The four components are summed to yield the total economic contribution resulting from UW-Madison presence in the county and the state. The analysis results in this report of the total economic contribution UW-Madison makes to the region and the state.

SCOPE

The presence of the UW-Madison and the economic activity that it generates creates an enormous economic benefit for all Wisconsin businesses, not-for-profits, private households, and local governments. In order to identify and estimate the total contribution the UW-Madison makes to the local and state economies, one has to look beyond the direct expenditures made by the institution itself. There is a ripple effect of the expenditures made for goods and services supplied to UW-Madison. Wages paid to UW-Madison faculty and staff are spent by the employees on housing, food, clothing, entertainment, etc. Likewise, business revenues generated from supplying goods and services to UW-Madison 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 UW-Madison expenditures.³

³ 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 UW spending spins through the economy in several cycles. Some money leaks out of the local economy at each

This study quantifies the total economic contribution UW-Madison makes to the region by collecting primary and secondary data, analyzing spending patterns, applying multiplier coefficients and calculating the final fiscal effects.

Throughout the report, reference is made to “the economic contribution attributable to UW-Madison’s presence in the region.” This means only counted is the money spent by the university, its employees, and students that occurs because UW-Madison is located where it is.

This study is confined to the economic contribution of the UW-Madison, which comes from institutional expenditures and payroll, student expenditures, and visitor expenditures. It also qualitatively measures some of the contributions of affiliated UW-Madison organizations such as Wisconsin Alumni Research Foundation, UW-Foundation, and University Research Park.

It does not measure the economic impact of faculty and staff earnings from private consulting, book and patent royalties. It also does not measure the economic impact of faculty and staff expertise used by the state, private enterprises, non-government organizations, or a host of other collateral economic activities. With this in mind, the economic impact of the UW-Madison reported in this study understates the overall economic impact of the UW-Madison by the factors mentioned above. It also leaves the non-fiscal contributions to the state’s cultural, social, and civil quality of life attributes unmeasured.

level as some spending is done outside the region, the lumber may originate in Georgia or Canada, for example. Thus, the original direct expenditure yields a greater economic impact than just the \$100 initially spent.

CHAPTER 1

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

Private businesses are often 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 provide jobs to the local populace. Collaboration between the UW-Madison and the local community is essential for realizing the total potential for both. Education is the second fastest growing economic cluster in the country and the UW-Madison's role is critical for the region in attaining economic prosperity in the new knowledge based economy.

The UW-Madison is an economic engine and economic anchor, since 1848, for the region.

- The total economic contribution due to the presence of UW-Madison in the region was over \$4.7 billion dollars in 2002.
- UW-Madison was responsible for creating almost 75,000 jobs in the state, 70,000 locally.
- Its presence generated nearly \$347 million in state and local tax revenue, nearly 90% of state funding.

UW-Madison students purchase goods and services from local businesses, and contribute time and money to charitable organizations.

- UW-Madison students purchased almost \$500 million dollars worth of good and services from private local businesses in 2002, over and above tuition, fees, and university supplied room and board.
- UW-Madison student presence is responsible for almost \$1.2 billion in economic activity.
- Students' activity creates over 22,000 jobs in the state, 21,000 of them locally.
- Students gave over \$7 million to local not-for-profit organizations.
- UW-Madison students donated \$7 million worth of time at minimum wage rates, the equivalent 900 full-time positions.

UW-Madison attracts visitors from all over the state, nation and world for business, academic, social and cultural activities.

- Visitors to the UW-Madison campus contributed over \$610 million in economic activity in 2002, created over 10,000 jobs and generated \$52 million in tax revenue.
- Business visitors generated over \$17 million in direct spending to local area businesses, academic and cultural event visitors were responsible for over \$71 million.
- Athletic event participants generated almost \$32 million in direct local business goods and services spending.
- UWHC patients were responsible for nearly \$7 million in purchases of local goods and services.
- Visiting parents and friends of UW-Madison students accounted for almost \$50 million in direct local purchases.

State of Wisconsin benefits from educating UW-Madison students are positive and the returns to the student very favorable.

- Wisconsin realizes a 6.3% return on its investment in a UW-Madison baccalaureate degree through higher taxes paid by UW-Madison graduates.
- The state's payback for educating a UW-Madison baccalaureate student is 13 years.
- UW-Madison baccalaureate degree holders reap almost a 30% return on their education investment beyond high school.
- A UW-Madison student's payback period is less than 3 years.
- A UW-Madison graduate will earn almost \$1 million dollars more than a high school graduate, twice that amount for a doctoral or professional degree.
- The positive cultural and social impacts of an educated populace immeasurably enhance Wisconsin's quality of life.

The fiscal impact and the job generation that the UW-Madison creates for the local economy in this study is understated as all the tangential economic offshoots of the institution, its personnel, and activities cannot be captured in the scope of this analysis.

The impacts of the UW Foundation, WARF and the URP were analyzed, but not included in the above figures. The economic contribution of the URP alone is \$500 million, with jobs paying nearly twice the Wisconsin average wage.

Even if all the fiscal flows could be accounted for and assigned a monetary value, it would only constitute a subset of the total value of the institution to the local populace.

EXECUTIVE SUMMARY ONLY

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