

# COMMUNITY COLLABORATION: A MARKET PROFILE OF THE UNIVERSITY OF WISCONSIN OSHKOSH



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The author accepts full responsibility for any errors of omission or commission.

Dennis K. Winters, Principal Investigator

## INTRODUCTION

It has become common practice for colleges and universities to commission economic impact studies. Often these studies are seen as a means of garnering public support or for offsetting the negative sentiment resulting from tax-exempt status. What isn't always demonstrated is that increasingly colleges and universities are being considered more as economic partners in a community. This can be of particular importance during periods of slow economic growth and through periods of changing economic structure as demand for a highly-trained workforce expands. This newly recognized role for colleges and universities is described by the HUD Office of University Partnerships:

*Few institutions can contribute more to rebuilding America's communities than its colleges and universities. They are not only creators, preservers and transmitters of knowledge and culture—they are also economic engines, applied technology centers, major employers, investors, real estate developers, and reservoirs of creative and energetic people.<sup>1</sup>*

It is critical for colleges and universities to embrace this role. While the institution provides a ready marketplace for the community in which it resides, the community in turn supplies many support services and infrastructure for the university. By working together, town and gown can achieve increased economic stability and develop the synergy that will help each prosper in the future.

It is generally true that institutions of higher education make a large fiscal contribution to their local economies. For example, the combined economic contribution the University of Wisconsin System institutions make to the Wisconsin economy has been estimated at \$9.5 billion, 5% of total gross state product.

While the fiscal contributions colleges and universities make to a region are large, colleges and universities usually serve a greater role than just fiscal stimulus to the local community. Colleges and universities offer many other community services. Its students supply a large and willing labor pool for local businesses as well as volunteer a large amount of time to community services. The faculty and staff offer time, experience and expertise to community organizations, public and private. University resources open to the public are as invaluable as they are immeasurable.

The role of UW Oshkosh as an economic development tool of the region should be recognized as being as important as industrial parks, medical centers, tourist attractions, major retailers, government programs, etc, in the role of economic stimulus, workforce development and as an important future economic growth industry.

According to a study by the CEOs for Cities and ICIC:

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<sup>1</sup> "An Alliance for Community Building," Office of University Partnerships, U.S. Department of Housing and Urban Development.

- Urban-core college and universities spent nine times more on payroll and the purchase of goods and services than the federal government spent directly on urban business and job development in 1996
- Of the three million workers employed by urban colleges and universities, two-thirds are non-faculty support staff
- The Education and Knowledge Cluster was the second fastest growing industry in the country.<sup>2</sup>

Often noted as an economic engine in the community, what is often taken for granted is its stability as an economic “anchor” (academic institutions seldom “re-locate”). That is to say, that while area businesses may be acquired by distant firms, their factories closed down due to competition from overseas, or they go out of business for any number of reasons, colleges and universities generally have long and stable histories in a community and much more secure staying power. Many colleges and universities have been in existence for over a hundred years and are still growing due to the demand for higher education. UW Oshkosh is a prime example. UW Oshkosh was established in 1871 and today has almost 1600 non-student employees<sup>3</sup> and purchases over \$25 million dollars in goods and services from local area businesses.

For local businesses, the university provides a stable economic anchor that draws resources into the community, both product demand and labor supply. For local government, the university attracts federal and state funds and receives expertise imbedded within the institution. For the university, the quality of the goods and services provided by the business community improves the university’s competitive position in attracting quality students, faculty and staff.

A key application of this study is to assist businesses and local citizens in viewing how UW Oshkosh serves as both a stable and growing market and a service provider to the Oshkosh community and the Northeast Wisconsin region. The Market Analysis section of this report outlines underserved markets and business opportunities.

More importantly, this document gives decision-makers critical information that shows them how to maximize their use of a powerful economic resource for the mutual benefit of both the university and the community. It also puts in their hands a reference document for making informed decisions grounded in a clear understanding of the impact that the university, as “economic anchor,” will have on the outcome of their decisions.

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<sup>2</sup> Initiative for a Competitive Inner City and CEO’s for Cities, Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda.

<sup>3</sup> This figure includes limited time employees (LTE). In order to isolate the impact of the presence of the University on the local economy from other influences, the 392 LTEs are not included in most calculations in this study. The total of 1197 full-time equivalent employees (faculty, academic staff, and classified staff) is used in most calculations.

The UW Oshkosh is the third largest university in the state with over 11,000 (head-count) students.<sup>4</sup> Grasping the magnitude of the market potential of UW Oshkosh requires measuring the overall impact of the university on the local economy. In order to identify and estimate the total contribution UW Oshkosh makes to the economy, 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 Oshkosh. Wages paid to UW Oshkosh 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 Oshkosh 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 Oshkosh expenditures.<sup>5</sup>

This study quantifies the total economic contribution UW Oshkosh makes to the region by collecting data, analyzing spending patterns, applying multiplier coefficients and calculating the final fiscal effects. This study identifies specific markets offered by the university by examining the spending habits of students, faculty and staff. Throughout the report, reference is made to “the economic contribution attributable to UW Oshkosh’s presence in the region.” This means only the money spent by the university, its employees, students, and visitors that occurs because of the UW Oshkosh’s location is counted. The presence of the UW Oshkosh and the economic activity that it generates creates an enormous economic benefit for local businesses, households, and local governments.

The study is confined to the economic contribution of UW Oshkosh which comes from institutional expenditures and payroll, student expenditures, and visitor expenditures. It does not measure 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 UW Oshkosh reported in this study understates the overall economic impact of UW Oshkosh by the factors mentioned above.

The study does not consider any future plans UW Oshkosh has for increasing enrollments, major capital projects, or other program initiatives.

Also included in this report as a service to the business community, is a study of current, unmet, and potential future market opportunities. An important finding of the study is that the existing potential for new business, when coupled with possible changes in the

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<sup>4</sup> This figure represents the total number of students enrolled each fall including part-time students. To enhance the integrity of this study, a more conservative 8,763 average academic year full-time equivalent (FTE) student count is used in most calculations.

<sup>5</sup> 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 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.

university's expenditures and enrollment, could provide a net gain to the local economy in the range of tens of millions of dollars.

In summary, the purpose of this report is to demonstrate that UW Oshkosh serves as a community economic partner in many ways. UW Oshkosh is without question a vital economic anchor for the local community, the region and the state. It serves as a substantial marketplace for local goods and services and it is a major employer in the area.

Only by collaborating can UW Oshkosh and the community realize the full potential of both. Each needs to partner with the other in order to maximize the offerings needed to attract the human, capital, and creative resources required for the region to prosper in the future economic construct. Indeed, without such collaboration, economic prosperity in the region is more risky and certainly compromised.

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## **CHAPTER 1**

### **EXECUTIVE SUMMARY**

## **CHAPTER 1: 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 UW Oshkosh 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 UW Oshkosh's role is critical for the region in attaining economic prosperity in the new knowledge based economy.

UW Oshkosh has served as an economic engine and anchor, since 1871, for the region.

- The total economic contribution due to the presence of UW Oshkosh in the region was over \$417 million dollars in 2002.
- It was responsible for creating almost 7,600 jobs in the state, 7,200 locally.
- Its presence generated nearly \$31 million in state and local tax revenue.

UW Oshkosh institutional non-payroll spending is substantial for local area businesses.

- UW Oshkosh spends over \$25 million directly on goods and services within 30 miles of campus, a total contribution to the local economy of over \$60 million.
- UW Oshkosh institutional non-payroll spending alone is responsible for over 1,200 local jobs, some 1,500 across the state.

UW Oshkosh employees play a major role in the community.

- UW Oshkosh employees spend almost \$46 million dollars in the local community, most of which goes to private businesses, but over \$1 million goes to local charities and not-for-profits.
- UW Oshkosh staff pay over \$5.5 million in state and local taxes.
- UW Oshkosh faculty and staff advise, assist and participate on many local area boards, organizations and initiatives, including business, social and cultural entities.

UW Oshkosh students purchase goods and services from local businesses, contribute time and money to charitable organizations and generate a substantial share of local tax revenue.

- UW Oshkosh students purchased over \$71 million dollars from private local businesses in 2002.
- Students contributed over \$2 million to local not-for-profit organizations.
- They donated \$2.2 million worth of time at minimum wage rates, the equivalent of 101 full-time positions.
- Their presence is responsible for nearly \$16 million in state and local tax revenue.

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

- Visitors to the UW Oshkosh campus contributed over \$46 million in economic activity in 2002, created almost 1,000 jobs and generated \$4.1 million in tax revenue.

Primary data results indicate that there remains untapped market potential for UW Oshkosh staff and students.

- Current unmet market potential for UW Oshkosh staff and students amounts to over \$4.3 million.
- Growth and expansion of UW Oshkosh enrollments and initiatives could swell that market potential into the tens of millions of dollars.

The fiscal impact and the job generation that UW Oshkosh 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. It also does not include plans for increased student enrollments or capital projects. 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

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

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